

UTAH COUNTIES INDEMNITY POOL

BOARD OF TRUSTEES MEETING

Thursday, July 19, 2012 12:00 p.m.

UCIP Offices, 10980 S. Jordan Gateway, South Jordan, UT

AGENDA

12:00 Lunch Provided

12:30 Call to Order Kay Blackwell

ITEM ACTION

1	Review/Excuse Board Members Absent	Kay Blackwell
2	Approve June 8, 2012 Meeting Minutes	Steve Wall
3	Ratification and Approval of Payments and Credit Card Transactions	Steve Wall
4	Review/Approve Control Policy	Steve Wall
5	Review/Approve First Quarter 2012 Financial Statements	Sonya White
6	Review/Approve Second Quarter Investment Summary	Sonya White
7	Review/Approve Tentative 2013 Budget	Sonya White
8	Review/Approve Member Equity Calculation	Johnnie Miller
9	Review/Approve Dividend Policy	Johnnie Miller
10	Review/Approve General Counsel for Board of Trustees	Johnnie Miller
11	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	Kay Blackwell
12	Action on Personnel Matters	Kay Blackwell
13	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	Kay Blackwell
14	Action on Litigation Matters	Kent Sundberg

INFORMATION

15	Chief Executive Officer's Report	Johnnie Miller
16	Other Business	Kay Blackwell



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Notice Title:

Entity: Utah Counties Indemnity Pool

Public Body Name: Board of Trustees

Notice Subject: *

Notice Subject 2:

Notice Type: *

- ☐ Notice
- ☐ Meeting
- ☐ Hearing
- ☐ Bond

Street Address: *

Street Address continued:

City: *

Zip:

Start Date: *

End Date:

Deadline Date:

Description / Agenda: * By law, agendas must be posted into this field and not solely added as an attachment.

Lunch Provided
Call to Order
Review/Excuse Board Members Absent
Approve June 8, 2012 Meeting Minutes
Ratification and Approval of Payments and Credit

Use ADA on PMN: *ADA: In compliance with the American Disabilities Act, please note available accommodations or contact information for individuals needing special assistance during the meetings of this

public body.

In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Sonya White at the Utah Counties Indemnity Pool, PO Box

Electronic Participation: *Electronic or Telephonic Participation: Pursuant to UCA 52-4-207, please note whether or not electronic or telephonic participation is available for the meetings of this public body.

Any Member of the Utah Counties Indemnity Pool Board of Trustees may participate telephonically.

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Emergency Notice:

- Yes ☐

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BOARD OF TRUSTEES' MEETING MINUTES

July 19, 2012, 12:00 p.m.
UCIP Offices, 10980 S. Jordan Gateway, South Jordan, UT

BOARD MEMBERS PRESENT

Kay Blackwell, *President*, Piute County Commissioner
Jim Eardley, *Vice President*, Washington County Commissioner
Steve Wall, *Secretary-Treasurer*, Sevier County Clerk/Auditor
Bruce Adams, San Juan County Commissioner
Craig Dearden, Weber County Commissioner
Jerry Hurst, Tooele County Commissioner
Bret Millburn, Davis County Commissioner
Karla Johnson, Kane County Clerk/Auditor
Kent Sundberg, Utah County Deputy Attorney
Mike Wilkins, Uintah County Clerk/Auditor

BOARD MEMBERS ABSENT

Gary Anderson, Utah County Commissioner
Brad Dee, Weber County Human Resources Director
Cameron Noel, Beaver County Sheriff

OTHERS PRESENT

Johnnie Miller, UCIP Chief Executive Officer
Sonya White, UCIP Chief Financial Officer
TJ Tsakalos, Salt Lake County District Attorney's Office

Call to Order

Kay Blackwell called this meeting, of the Utah Counties Indemnity Pool's Board of Trustees, to order at 12:00 p.m. on July 19, 2012, and welcomed those in attendance. Johnnie Miller introduced TJ Tsakalos from the Salt Lake County District Attorney's Office. Johnnie has been researching attorneys, knowledgeable in governmental agencies, as possible legal counsel for the Board. Many of those qualified attorneys are in the Salt Lake County District Attorney's office and Mr. Tsakalos attended today to observe how the relationship would be approached.

Review/Excuse Board Members Absent

Gary Anderson, Brad Dee and Cameron Noel had prior commitments and requested to be excused from this meeting. Karla Johnson made a motion to excuse Gary Anderson, Brad Dee and Cameron Noel from this meeting. Craig Dearden seconded the motion, which passed unanimously.

Approve June 8, 2012 Meeting Minutes

The minutes, of the Board of Trustees meeting held June 8, 2012, were previously sent to the Board Members for review (see attachment number one). Steve Wall made a motion to approve the June 8, 2012 meeting minutes as written. Karla Johnson seconded the motion, which passed unanimously.

Ratification and Approval of Payments and Credit Card Transactions

Steve Wall reviewed the payments made, payments to be made and credit card transactions with the Board. Steve Wall made a motion to approve the payments made, payments to be made and credit card transactions (see attachment number two). Karla Johnson seconded the motion, which passed unanimously.

UTAH COUNTIES INDEMNITY POOL

PO Box 95730, South Jordan, UT 84095-0730
Phone (801)565-8500 ☎ Fax (801)568-0495 ☎ ucip.utah.gov

Review/Approve Controls Policy

The draft Controls Policy was previously sent to the Board Members for review (see attachment number three). Steve Wall explained that the 2011 Management Letter from Wisan, Smith, Racker & Prescott recommended that a control policies and procedures over all important financial areas be established. One change that MacRay Curtis suggested be made to the draft the Board previously received was to specify two positions responsible for opening mail under the Cash Receipts section. Steve Wall made a motion to approve the Controls Policy as presented with the addition to the two positions responsible for opening mail. Mike Wilkins seconded the motion, which passed unanimously,

Review/Approve First Quarter 2012 Financial Statements

Sonya White reviewed the first quarter 2012 financial statements with the Board (see attachment number four). Operating Income is at 25% of budget, Administration Expenses are at 20% of budget and Underwriting Expense is at 65% of budget (due to a \$444,000 increase in loss reserves). Historically the actuarial reserve analysis will trend downward as the year progresses. Total Net Assets of the Pool as of March 31, 2012 is \$5,403,826. Jim Eardley made a motion to approve the First Quarter 2012 Financial Statements as presented. Karla Johnson seconded the motion, which passed unanimously.

Review/Approve Second Quarter 2012 Investment Summary

Sonya White reported that she and Johnnie Miller met with Greg Aiken and Scott Burnett, Zions Wealth Advisors (ZWA), to receive the second quarter investment summary to present to the Board (see attachment number five). Sonya explained that the November 2011 through June 2012 Interest Comparison sheet shows that ZWA funds earned \$9,448 more interest than if the funds would have been held with the Public Treasurers Investment Fund (PTIF) during that time period. The Balance Sheet Classification provides the Board with a detailed listing of securities held and the average yield at 1.59. The interest rate for PTIF in June was .779. Jerry Hurst made a motion to approve the Second Quarter 2012 Investment Summary as presented. Craig Dearden seconded the motion, which passed unanimously.

Review/Approve Tentative 2013 Budget

Sonya White reported that in order for the 2013 Rate Study to be completed, the actuaries require a tentative budget for that year. Based on the exposure information collected from members, the added cost for member appraisals and the estimated additional costs for reinsurance, Sonya presented a balanced tentative 2013 budget to the Board (see attachment number six). Mike Wilkins made a motion to approve the Tentative 2013 Budget. Jim Eardley seconded the motion, which passed unanimously.

Review/Approve Member Equity Calculation

Johnnie Miller reported that with the completion of the 2011 audit, actuaries have now completed the equity analysis and the net equity per member was provided to the Board (see attachment number seven). The Pool as a whole is at a 94.7 percent net equity to 2012 premium. This has been the goal of the Board to reach a one-to-one ratio, premium to surplus. Steve Wall made a motion to approve the Member Equity Calculation as presented. Mike Wilkins seconded the motion, which passed unanimously. UCIP staff will provide each member with their equity calculation and a recommendation to inquire, of their independent auditor, whether or not the equity asset should be reported on County financial statements.

Review/Approve Dividend Policy

At the Board Strategic Planning session in June, Johnnie Miller was instructed to draft a dividend policy for members who reach the one-to-one premium to equity ratio. The dividend would also consider the loss experience of the member. Johnnie explained that UCIP has not used experience rating for several years in the member contribution formula and the Interlocal Agreement and the Bylaws do not include experience in the calculation of equity. Jim Eardley made a motion that the Dividend Policy should be written in accordance with the Fifth Amended Interlocal Cooperation Agreement and the Amended Bylaws, without factoring experience into the dividend formula. Craig Dearden seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Kent Sundberg made a motion to set the date and time for a closed meeting to discuss character, professional competence, physical/mental health of an individual for July 19, 2012 at 1:35 p.m. Jerry Hurst seconded the motion, which passed unanimously. Board Members present at the closed meeting were: Kay Blackwell, Jim Eardley, Steve Wall, Bruce Adams, Craig Dearden, Jerry Hurst, Karla Johnson, Bret Millburn, Kent Sundberg and Mike Wilkins. Also present were: Johnnie Miller and Sonya White.

The regular meeting resumed at 2:05 p.m. on July 19, 2012.

Action on Personnel Matters

Kent Sundberg made a motion to continue researching candidates for the Board's legal counsel. Bret Millburn seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Steve Wall made a motion to set date and time for a closed meeting to discuss pending or reasonably imminent litigation for July 19, 2012 at 2:10 p.m. Karla Johnson seconded the motion, which passed unanimously. Board Members present at the closed meeting were: Kay Blackwell, Jim Eardley, Steve Wall, Bruce Adams, Craig Dearden, Jerry Hurst, Karla Johnson, Bret Millburn, Kent Sundberg and Mike Wilkins. Also present were: Johnnie Miller and Sonya White.

The regular meeting resumed at 2:20 p.m. on July 19, 2012.

Action on Litigation Matters

Kent Sundberg made a motion to strike agenda item: *Action on Litigation Matters*. Jerry Hurst seconded the motion, which passed unanimously.

Chief Executive Officer's Report

Johnnie Miller reviewed the results of the County Reinsurance Limited claims audit conducted June 2012 (see attachment number seven). Johnnie reported that the rate study will be complete and ready for the Board to approve at the August meeting. Johnnie reported value increases and rate reductions to the County Commissions in Beaver, Carbon, Emery and Iron Counties. Johnnie has been working with a consultant hired by Summit County for the Pool to provide a membership option. Johnnie provided the Board with a copy of the 2011 CRL Annual Report (see attachment number eight). Johnnie has been working with CRL to provide excess liability limits to UCIP members. Johnnie will be attending the AGRIP Board meeting in August to finalize the contract with the hired management group, Northeast Association Management Inc. (NEAMI). The dates for the AGRIP Governance Conference are October 14-17.

Other Business

The next meeting of the Board of Trustees will be held Thursday, August 16, 2012, 12:00 p.m. at the UCIP offices.

Approved on this 16 day of August 2012



Steve Wall, Secretary/Treasurer

Utah Counties Indemnity Pool

Payments

June 9 - July 19, 2012

Type	Date	Num	Name	Memo	Amount
ML Expense					
Liability Check	6/14/2012		QuickBooks Payroll Service	Created by Payroll Services on 06/12/2012	-12,966.58
Liability Check	6/29/2012		QuickBooks Payroll Service	Created by Payroll Services on 06/25/2012	-12,844.39
Liability Check	7/12/2012		QuickBooks Payroll Service	Created by Payroll Services on 07/09/2012	-12,844.64
Liability Check	6/13/2012	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270256530133982	-4,686.57
Liability Check	6/26/2012	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270257841115123	-4,639.41
Liability Check	6/26/2012	ONLINE	Utah State Tax Commission	Confirmation Number: 1-628-515-328	-1,659.34
Liability Check	6/26/2012	ONLINE	Utah Retirement Systems	Confirmation Number: 062516113517	-6,542.99
Liability Check	6/26/2012	ONLINE	Nationwide Retirement Solutions	Entity: 644013	-2,025.76
Liability Check	7/12/2012	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270259413272087	-4,639.37
Check	6/26/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3675	-2,780.39
Check	6/26/2012	VISA	Wells Fargo	Account Number: 4856 2002 0207 3691	-1,978.88
Check	6/11/2012	6376	Bob Leonard	VOID: Strategic Planning Presentation	0.00
Liability Check	6/15/2012	6377	Opticare of Utah	Invoice Number: 22456	-59.35
Check	6/15/2012	6378	Karla Johnson	Mileage Reimbursement	-97.92
Check	6/15/2012	6379	Bruce Adams	Mileage Reimbursement	-301.05
Check	6/15/2012	6380	Brad Dee	Mileage Reimbursement	-223.35
Check	6/15/2012	6381	Jim Eardley	Mileage Reimbursement	-181.50
Check	6/15/2012	6382	Bret Millburn	Mileage Reimbursement	-227.55
Check	6/15/2012	6383	Craig Dearden	Mileage Reimbursement	-228.90
Check	6/15/2012	6384	Mike Wilkins	Mileage Reimbursement	-273.30
Check	6/15/2012	6385	Steven Wall	Mileage Reimbursement	-33.00
Check	6/15/2012	6386	Kent Sundberg	Mileage Reimbursement	-147.85
Check	6/15/2012	6387	Kay Blackwell	Travel Reimbursement	-368.19
Check	6/15/2012	6388	BOX	Workers Compensation Payroll Audit 2011	-21,399.12
Check	6/15/2012	6389	IRO	Workers Compensation Payroll Audit 2011	-9,517.32
Check	6/15/2012	6390	JUA	Workers Compensation Payroll Audit 2011	-5,458.04
Check	6/15/2012	6391	KAN	Workers Compensation Payroll Audit 2011	-4,625.68
Check	6/15/2012	6392	MOR	Workers Compensation Payroll Audit 2011	-8,227.26
Check	6/15/2012	6393	PIU	Workers Compensation Payroll Audit 2011	-850.17
Check	6/15/2012	6394	SEV	Workers Compensation Payroll Audit 2011	-1,857.76
Check	6/15/2012	6395	WAS	Workers Compensation Payroll Audit 2011	-4,196.40
Check	6/15/2012	6396	Johnnie Miller	Expense Reimbursement	-387.43
Bill Pmt -Check	6/15/2012	6397	Brian Nelson	PW Presenter Expenses	-308.54
Bill Pmt -Check	6/15/2012	6398	End Point Corporation	Invoice Number: UC1202	-60.00
Bill Pmt -Check	6/15/2012	6399	HCA Asset Management, LLC	Invoice Number: 11-2005	-48,935.00
Bill Pmt -Check	6/15/2012	6400	Revco Leasing Company, LLC	Invoice Number: 297734	-844.41
Bill Pmt -Check	6/15/2012	6401	Robert Moore	PW Presenter Expenses	-296.37
Bill Pmt -Check	6/15/2012	6402	Utah Sheriff's Association	Exhibit Space at Annual Conference	-475.00
Bill Pmt -Check	6/15/2012	6403	Weber County-	FGC Sponsorship	-1,000.00
Check	6/19/2012	6404	Mark W. Brady	Expense Reimbursement	-1,870.80
Check	6/19/2012	6405	Korby M. Siggard	Expense Reimbursement	-300.55
Check	6/19/2012	6406	Sonya J. White	Expense Reimbursement	-1,435.59
Bill Pmt -Check	6/19/2012	6407	Utah PRIMA	VOID: 2012 Government Membership	0.00
Check	6/29/2012	6408	PEHP-LTD	Coverage Period: JUNE 2012	-211.74
Liability Check	6/29/2012	6409	Public Employees Health Program	Policy Number 1076 (Jun)	-827.42
Bill Pmt -Check	6/29/2012	6410	AGRIP	Invoice Number: 121-03173	-675.00
Bill Pmt -Check	6/29/2012	6411	Arthur J. Gallagher & Co.	VOID:	0.00
Bill Pmt -Check	6/29/2012	6412	Fluid Studio	Invoice Number: 1405	-120.00

Utah Counties Indemnity Pool Payments June 9 - July 19, 2012

Type	Date	Num	Name	Memo	Amount
Bill Pmt -Check	6/29/2012	6413	Office Depot	Invoice Number: 613521681001	-237.35
Bill Pmt -Check	6/29/2012	6414	Paetec	VOID: Invoice Number: 4278537	0.00
Bill Pmt -Check	6/29/2012	6415	Utah Association of Counties	Invoice Number: 20598	-7,290.00
Bill Pmt -Check	6/29/2012	6416	Utah PRIMA	2012 Government Membership	-125.00
Bill Pmt -Check	6/29/2012	6417	White Automation & Design, LLC	Invoice Number: 2012029	-120.00
Bill Pmt -Check	6/29/2012	6418	Whitney Advertising & Design, Inc.	Invoice Number: 15708	-17.00
Bill Pmt -Check	6/29/2012	6419	Office Depot	Invoice Number: 613524547001	-5.65
Bill Pmt -Check	7/2/2012	6420	Revco Leasing Company, LLC	Invoice Number: 300394	-815.89
Bill Pmt -Check	7/2/2012	6421	Western AgCredit	Invoice Number: 7-2012	-11,111.00
Bill Pmt -Check	7/2/2012	6422	Paetec	VOID: Invoice Number: 4278537	0.00
Bill Pmt -Check	7/2/2012	6423	Arthur J. Gallagher & Co.	Invoice Number: 99684	-5,116.00
Bill Pmt -Check	7/2/2012	6424	Paetec	Invoice Number: 4278537	-689.19
Bill Pmt -Check	7/2/2012	6425	Arthur J. Gallagher & Co.	Invoice Number: 99781	-314.00
Bill Pmt -Check	7/6/2012	6426	AGRIP	Account Number: 393	-1,211.65
Bill Pmt -Check	7/6/2012	6427	By The Numbers Actuarial Consultin...	Invoice Number: 2012-106	-2,000.00
Bill Pmt -Check	7/6/2012	6428	County Reinsurance, Limited	Property July 1, 2012 - July 1, 2013	-538,035.00
Check	7/5/2012	6429	Johnnie R. Miller	Expense Reimbursement	-261.44
Check	7/1/2012	6430	Johnnie R. Miller	Expense Reimbursement	-338.03
Liability Check	7/12/2012	6431	Opticare of Utah	Invoice Number:	-59.35
Bill Pmt -Check	7/12/2012	6432	HCA Asset Management, LLC	Account Number: 8000-9090-018-5759	-48,935.00
Bill Pmt -Check	7/12/2012	6433	Purchase Power	Invoice Number: 22819	-250.00
Bill Pmt -Check	7/12/2012	6434	Smith Hartvigsen, PLLC	VOID: Invoice Number: 186459	-115.50
Bill Pmt -Check	7/12/2012	6435	Wisam Smith Racker & Prescott	Invoice Number: 186459	0.00
Bill Pmt -Check	7/12/2012	6436	Wisam Smith Racker & Prescott	Renewal Data Entry (2 Hours)	-17,500.00
Bill Pmt -Check	7/16/2012	6437	Leah Miller	2013 Renewal - Data Entry	-24.00
Bill Pmt -Check	7/16/2012	6438	Leah Miller	2013 Renewal - Data Entry	-27.00
Bill Pmt -Check	7/17/2012	6439	Leah Miller	2013 Renewal - Data Entry	-36.00
Total ML Expense					-818,263.93
TOTAL					-818,263.93

UTAH COUNTIES INDEMNITY POOL CONTROLS POLICY

This policy is established to describe procedures and important controls to ensure all of the financial information of the Utah Counties Indemnity Pool (UCIP) is accurate, captured and properly recorded and that all UCIP's assets are properly safeguarded.

1. GENERAL

The UCIP Board of Trustees is responsible for authorizing all bank accounts and check signers. Financial institutions where UCIP accounts are maintained are notified as needed of any changes in check signers, following the transition of Board Officers or changes in staff with check signing responsibilities. Financial reports shall be presented to the Board of Trustees for review on a quarterly basis. An annual financial audit will be conducted by a qualified independent auditor.

The accounting system shall be secured on a server located in a temperature controlled environment and backed up nightly. The backup hard drive shall be exchanged each week and held offsite. The accounting system shall be password protected and only authorized staff shall have access to the system.

2. CASH RECEIPTS

Employees handling cash will have the necessary knowledge and skills to perform the job and will be carefully supervised. Cash receipts must be deposited within three days of receipt. Incoming checks must be restrictively endorsed, "for deposit only" with the organization's account number, when received. Incoming cash must be counted and receipts/bank deposits developed by two or more persons authorized to perform these functions. Records of cash received must be totaled and initialed by authorized employees. Cash collection documentation totals must be compared and reconciled to bank deposit receipts on a monthly basis. Bank deposit receipts must be compared and attached to the original bank deposit slips. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank. Contributions received in bank accounts electronically will be posted to the accounting system within three days of receipt.

3. CASH DISBURSEMENTS

a. Check Authorization

The Chief Executive Officer (CEO) or authorized assignee must provide approval for all expense disbursements. The Claims Manager must provide approval for all claims disbursements. Supporting documentation must accompany checks when presented for signature.

b. Checks

All disbursements must be made by check, or credit card in accordance with #6. Only pre-numbered checks shall be used and always in sequence. Signing of blank checks is strictly prohibited. Checks must be made payable to specific payees based upon appropriate documentation; never to "cash". Prior to preparing checks, supporting documentation should be compared to vendor invoices for accuracy. Checks must be prepared from vendor invoices only and not from a vendor statement. Dual signatures are required for all checks, including any of two of the following signatures: President, Vice-President, Secretary/Treasurer, Chief Executive Officer, Loss Control Manager and Claims Manager. One electronic signature and at least one wet signature are allowed. Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use. Any voided/spoiled checks must be marked "Void" and retained in a secure place. All payments shall be reviewed by the Secretary/Treasurer and ratified by the Board of Trustees.

c. Electronic Transfers

The CEO and Chief Financial Officer (CFO) are authorized to make electronic transfers between financial institutions. All transfers shall be reviewed by the Secretary/Treasurer.

d. Bank Reconciliations

Bank accounts must be reconciled by the CFO on a monthly basis and reviewed by the CEO. Checks outstanding over 90 days must be periodically investigated, with payment stopped and an entry made restoring such items to cash if appropriate.

4. INVESTMENTS

The Board of Trustees is responsible for authorizing any amount to be invested. The Board of Trustees will use only qualified Investment Advisors. All investments must comply with the Utah Management Act.

5. TRAVEL AND EXPENSES

Employees must submit a detailed expense record, with supporting documentation, in order to be reimbursed for expenses. Reimbursement requests shall be initialed for approval by the CEO or CFO prior to payment.

6. CREDIT CARDS

Only authorized staff is provided a credit card to use for business expenses. Receipts must be attached to the credit card statement and each line item specifically documented with detail of the expense. The statements shall be reviewed by the Secretary/Treasurer and ratified by the Board of Trustees.

7. OTHER

Duties of the CFO are outlined in an operations manual, held with the CEO; in the event other staff must perform these duties in his/her absence.

Approved this _____ day of _____, 2012

Kay Blackwell, UCIP President



Utah Counties Indemnity Pool

FINANCIAL STATEMENTS

Quarter Ending March 31, 2012

Utah Counties Indemnity Pool

First Quarter 2012 Financial Statements

To the Board of Trustees:

I have compiled the accompanying, in-house prepared, unaudited account balances arising from cash transactions and from accrual transaction of the Utah Counties Indemnity Pool as of 3/31/2012 and accompanying notes to basic financial statements.

Sonya White

Chief Financial Officer

801-307-2113

sonya@ucip.utah.gov

Reviewed this ____ day of _____, 2012

By: _____

Utah Counties Indemnity Pool

Statement of Net Assets

As of March 31, 2012

	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
ASSETS			
Current Assets			
Total Checking/Savings	\$ 12,707,432	\$ 13,704,125	\$ 8,262,264
Accounts Receivable	27,530	218	1,513,378
Excess Recoverable	151,300	145,492	151,300
Prepaid Expenses	804,527	824,020	234,770
Total Current Assets	13,690,790	14,673,856	10,161,712
Investments	2,982,670	587,267	2,878,545
Property and Equipment	53,673	100,526	89,848
Other Assets			
Land Held for Investment	526,778	494,446	494,446
Security Deposits	11,336	11,336	11,336
Total Assets	\$ 17,265,246	\$ 15,867,431	\$ 13,635,887
LIABILITIES AND NET ASSETS			
Current Liabilities			
Reserves for Losses and Loss Adjustment Expenses	\$ 7,102,391	\$ 6,754,480	\$ 6,658,344
Accounts Payable	100	57,358	6,942
Accrued Expenses	47,990	35,578	39,691
Contributions Paid in Advance	4,710,939	4,460,053	1,197,891
Total Current Liabilities	11,861,420	11,307,469	7,902,868
Net Assets			
Invested in Capital Assets	89,848	600,897	89,848
Unrestricted	5,313,978	3,959,065	5,643,171
Total Net Assets	5,403,826	4,559,962	5,733,019
Total Liabilities and Net Assets	\$ 17,265,246	\$ 15,867,431	\$ 13,635,887

Utah Counties Indemnity Pool

Statements of Revenues, Expenses and Changes in Net Assets

As of March 31, 2012

	Jan - Mar 12	Budget	\$ Over Budget	% of Budget
Operating Income				
Contributions	\$1,570,313	\$6,281,252	-\$4,710,939	25%
Investment Income	32,269	65,000	-32,731	50%
Other Income	4,373	9,500	-5,127	46%
Total Operating Income	1,606,955	6,355,752	-4,748,797	25%
Underwriting Expense				
Losses and Loss Adjustment Expenses	1,216,437	3,590,000	-2,373,563	34%
Reinsurance Coverage	501,712	1,600,000	-1,098,288	31%
Total Underwriting Expense	1,718,149	5,190,000	-3,471,851	65%
Administration Expenses				
Board of Trustees	3,568	45,000	-41,432	8%
Depreciation	3,843	20,000	-16,157	19%
Loss Control	10,350	50,000	-39,650	21%
Marketing	786	16,000	-15,214	5%
Office Operations	54,157	210,000	-155,843	26%
Professional Services	3,017	74,752	-71,735	4%
Staff	152,034	750,000	-597,966	20%
Total Administration Expenses	227,755	1,165,752	-937,997	20%
Total Operating Expenses	1,945,904	6,355,752		
Net Operating Income	(338,949)			
Other Income				
Unrealized Gain on Marketable Securities	9,756	-	9,756	100%
Total Other Income	9,756	-	9,756	100%
Net Decrease	(329,193)			
Net Assets Available at Beginning of Year	5,733,019			
Net Assets Available at End of Quarter	\$ 5,403,826			

Utah Counties Indemnity Pool

Statement of Cash Flows

As of March 31, 2012

	<u>Jan - Mar 12</u>
Cash Flows from Operating Activities	
Contributions Collected	\$ 6,569,209
Other Fees Collected	4,373
Reinsurance Paid	(1,071,469)
Losses and Loss Expenses Paid	(772,390)
Administrative Expenses Paid	(222,455)
Net Cash from Operating Activities	<u>4,507,268</u>
Cash Flows from Investing Activities	
Purchases of Investments	(104,125)
Investment Income	42,025
Net Cash from Investing Activities	<u>(62,100)</u>
Cash Flows from Capital and Financing Activities	
Purchases of Capital Assets	-
Proceeds from Sales of Capital Assets	-
Net Cash from Capital and Financing Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	4,445,168
Cash and Cash Equivalents at Beginning of Year	8,262,264
Cash and Cash Equivalents at End of Year	<u><u>\$ 12,707,432</u></u>
Reconciliation of Change in Net Assets to Net Cash	
Change in Net Assets	\$ (329,193)
Adjustments to Reconcile Net Income to Net Cash from Operating Activities	
Depreciation	3,843
Interest Received on Investments	(42,025)
Increase in Equity Zions	9,756
Realized (gain loss on Investments	(9,756)
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	1,485,848
Increase in Prepaid Expenses	(569,757)
Increase in Reserves for Loss and Loss Adjustment Expenses	444,047
Decrease in Accounts Payable	(6,842)
Increase in Compensated Absences	8,299
Increase in Premiums Paid in Advance	3,513,048
Total Adjustments	<u>4,836,461</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 4,507,268</u></u>

Utah Counties Indemnity Pool

NOTES to the FINANCIAL STATEMENTS

March 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Utah Counties Indemnity Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. In January 2012, the Pool was renamed the Utah Counties Indemnity Pool. The Pool is a non-profit Interlocal entity formed under Section 11-13-101 et. seq. *Utah Code Annotated, 1953* as amended, operated as a joint liability reserve fund under Section 63G-7-703 and 801 for counties who enter into the Interlocal agreement that creates UCIP. The Pool is referred to as a "public agency insurance mutual" under the insurance statutes of the State of Utah, Section 31A-1-103(7). All of the Pool's business activities are conducted in the State of Utah.

Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Pool adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB Statement 34), GASB Statement No. 37, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, in fiscal year 2002, effective January 1, 2001. Effective January 1, 2004, the Pool adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. With the implementation of these statements, the Pool has prepared required supplementary information titled 'Management's Discussion and Analysis' which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net assets as invested in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting*, the Pool has opted to apply all pronouncements issued by the Financial Accounting Standards Board ("FASB") after November 1989, unless the FASB pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant of such policies.

Basis of Accounting

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The estimates which are particularly susceptible to change are related to the actuarial valuation of the claims incurred but not reported and loss reserves. Actual results could differ from those estimates.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

Contributions

Contributions are collected annually on January 1.

Contributions Paid in Advance

Contributions paid by members prior to January 1 of the next calendar year are considered to be deferred until January 1 and are reported as liabilities in the statement of net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund and cash on deposit are considered to be cash equivalents.

Investments

Investments are comprised of various U.S. Government securities, certificates of deposit and investments in County Reinsurance Limited (CRL).

Investments in U.S. Government securities as of March 31, 2012 consist of held-to-maturity securities. Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL which represents its share of the undistributed earnings or losses of CRL.

Land Held for Investment

The Pool purchased land in October of 2007 with the intent of building office space to house Pool employees and conduct board meetings and training. The Board has determined to hold the land as an investment for future sale.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the current year, as of the quarter ending March 31, 2012, amounted to **\$3,843**.

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

Subsequent Events

Management of the Pool has evaluated subsequent events through March 31, 2012. It was recognized that an error was made in the December 31, 2011 Actuarial Report in the calculation of general liability excess losses. An excess auto liability claim was inadvertently included in the general liability large loss listing. This caused approximately \$194,000 of an increase to the January 1 through December 31, 2008 period in the interim reserve review as of the quarter ending March 31, 2012.

2. **CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Listed below is a summary of the cash and investment portfolios as of December 31, 2011 and 2010. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes including the Utah Money Management Act.

Cash and Cash Equivalents

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is **\$119,316** as of March 31, 2012. The corresponding bank balance of the deposits was **\$117,321** as of March 31, 2012. All of the Pool's cash on deposit bank accounts are non-interest-bearing. The FDIC has no limits on non-interest-bearing accounts in financial institutions insured by the FDIC for the period of January 1, 2012 to December 31, 2012.

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund, but the PTIF is subject to oversight by the Utah Money Management Council and all investments in PTIF are considered to be in compliance with the Utah Money Management Act. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on any entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Zions Wealth Advisors DBA Contango Capital Advisors is a Certified Investment Advisory Firm subject to oversight by the Utah Money Management Council and all investments with Zions Wealth Advisors are considered to be in compliance with the Utah Money Management Act. The maximum final maturity of any security invested in by Zions Wealth Advisors is limited to three years. Zions Wealth Advisors Investments are not insured or otherwise guaranteed.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2011, all the Pool's bank balances were fully insured by FDIC. As of March 31, 2012, all of the Pool's bank balances were fully insured by the FDIC.

As of March 31, 2012, the Pool's cash and cash equivalents and investments included the following:

Cash on Deposit	\$ 119,316
Public Treasurers' Investment Fund	12,532,649
Zions Wealth Advisors	55,467
Total Cash and Cash Equivalents	12,707,432
Investments - U.S. Government Securities	1,967,229
Equity Investment in County Reinsurance Limited	1,015,441
Land Held for Sale	526,778
Total Investments	3,509,448
Total Cash and Cash Equivalents and Investments	\$ 16,216,880

Investments

The Pool records its investments in U.S. Government Securities at market value. The Pool records investments with County Reinsurance Limited (CRL) using the equity method of accounting. Investments in CRL are confirmed annually. All other investments are through the PTIF. The differences between book value and fair value, as of March 31, 2012, are as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Statement Value</u>
Equity	\$ 587,267	\$ 428,174	\$ -	\$ 1,015,441	\$ 1,015,441
Land	494,446	32,332	-	526,778	526,778
Securities	1,957,473	9,756	-	1,967,229	1,967,229
Total Investments	\$ 3,039,186	\$ 470,262	\$ -	\$ 3,509,448	\$ 3,509,448

Interest Rate Risk

The Pool currently utilizes the Public Treasurer's Investment Fund (PTIF) and Zions Wealth Advisors, both regulated by the Utah Money Management Council, to manage interest rate risk.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Pool's policy for limiting the credit risk of investments is to comply with the Money Management Act.

Investments are categorized into these three categories of credit risk:

- Category 1 - Insured or registered, or securities held by the Pool or its agent in the Pool's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Pool's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, not in the Pool's name.

Investments in U.S. government securities in the amount of \$1,967,229 are considered to be Category 3 securities. PTIF investments, equity investments in CRL and land held for sale in the total amount of \$14,074,868 are uncategorized investments.

3. INVESTMENT INCOME

Investment income is comprised of the following as of March 31:

Interest:

Bonds	\$ 8,931
Equity	-
Cash	23,338
Total Interest Income	\$ 32,269

Cash Received:

Bonds	\$ 8,539
Cash	23,338
Total Cash Received	\$ 31,877

Noncash Adjustments:

Equity	\$ -
Change in Accrued Interest	392
Amortization	
Total Noncash Adjustments	\$ 392

Total Investment Income	\$ 32,269
--------------------------------	------------------

4. INTEREST RATES

The interest rate for assets held with the Utah Public Treasurers' Investment Fund was .7829% as of March 31, 2012.

5. CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Depreciated:				
Office Furniture and Equipment	293,452	-	(126,158)	167,294
Total Capital Assets Depreciated	<u>293,452</u>	<u>-</u>	<u>(126,158)</u>	<u>167,294</u>
Less Accumulated Depreciation:				
Office Furniture and Equipment	(203,605)	(3,843)	93,826	(113,622)
Total Accumulated Depreciation	<u>(203,605)</u>	<u>(3,843)</u>	<u>93,826</u>	<u>(113,622)</u>
Total Capital Assets	<u>\$ 89,847</u>	<u>\$ (3,843)</u>	<u>\$ (32,332)</u>	<u>\$ 53,672</u>

6. CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

7. REINSURANCE

Effective 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities of the Pool are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of **\$902,413** as of March 31, 2012. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

Reinsurance Recoverables on Aggregate Losses

The Pool has reinsurance recoverables on aggregate policies (1992-2002) in the amount of **\$151,300** from its reinsurers for accrued losses as of March 31, 2012

Unsecured Reinsurance Recoverables

There are no letters of credit, trust agreements or funds withheld on reinsurance recoverables. The amount of **\$1,692,392** exceeds 3% of the Pool's surplus and is considered unsecured recoverables on known claims.

Reinsurance Recoverable in Dispute

As of March 31, 2012, the Pool does not have any disputed balances or uncollectible funds.

8. RETIREMENT PLANS

Cost-Sharing Defined Benefits Pension Plan:

Plan Description. The Pool contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. The Pool is required to contribute 13.77% (including 1.5% to a 401(k) salary deferral program) of covered salary to the Noncontributory System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The Pool's contribution to the Noncontributory System for the years ending December 31, 2011, 2010 and 2009 was **\$60,328**, \$59,098 and \$60,540, respectively. The contributions were equal to the required contributions for each year. The Pool has no further liability once contributions are made.

Defined Contribution Pension Plans:

The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan (administered by the Utah State Retirement Systems) and/or a 457 plan (administered by Nationwide Retirement Solutions), not to exceed 5% of the employee's eligible payroll. The total retirement expense for the Pool for the quarter ended March 31, 2012 was **\$17,511**.

9. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events, as of March 31, 2012, has increased by approximately **\$444,047** as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

The unpaid claims, losses and loss adjustment expenses of the Pool are as follows:

	<u>2012</u>	<u>2011</u>
Beginning Balance	6,658,344	6,636,401
Incurred Loss:		
Current Year	290,476	3,129,335
Prior Year	481,169	(303,019)
Change in Total Incurred	<u>771,645</u>	<u>2,826,316</u>
Paid:		
Current Year	143,943	994,943
Prior Year	183,655	1,809,430
Total Paid	<u>327,598</u>	<u>2,804,373</u>
Balance at March 31	<u><u>7,102,391</u></u>	<u><u>6,658,344</u></u>

10. **OPERATING LEASE COMMITMENT**

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid **\$33,010** in rent as of March 31, 2012.

Future minimum rental commitments for the building operating lease are as follows:

2012	132,696
2013	136,674
2014	140,680
2015	144,866
Thereafter	<u>24,262</u>
Total minumim lease payments	<u>\$ 579,178</u>

ZIONS® Wealth Advisors

UCIP

Approximate Earned Interest Comparison

DATE	Utah PTIF ¹	Account #8913870	November 2011 - June 2012		
			Ave. Funds Invested ³	Approx. Total Int. ⁴	Approx. Diff. Interest ⁵
11/30/11	0.66%	0.44%	\$1,598,862	\$581.99	-\$297.39
12/31/11	0.70%	1.13%	\$2,001,441	\$1,940.62	\$734.20
01/31/12	0.73%	1.84%	\$2,008,184	\$3,178.40	\$1,916.03
02/29/12	0.78%	1.63%	\$2,016,901	\$2,642.62	\$1,375.33
03/31/12	0.78%	1.55%	\$2,020,777	\$2,697.18	\$1,339.89
04/30/12	0.78%	1.55%	\$2,023,820	\$2,614.10	\$1,298.62
05/31/12	0.78%	1.49%	\$2,025,594	\$2,598.95	\$1,238.43
06/30/12	0.77%	1.86%	\$2,026,561	\$3,143.53	\$1,843.16
Totals				\$19,397.38	\$9,448.26

¹ Utah PTIF	Utah Public Treasurers Fund 360-day yield annualized and reported by the Utah State Treasurer; see http://www.treasurer.utah.gov/ptifrate.html
² Account #8913870	Zions Wealth Advisors 360-day yield net of fees, as reported on UCIP 3 monthly statements
³ Ave. Funds Invested	Average daily balance in the account for the month reported
⁴ Approx. Total Int.	Approximate total interest earned for the month reported. Cash flows are approximate and should not be used for tax or accounting purposes
⁵ Approx. Diff. Int.	Approximate differential in interest earned in the ZWA client account versus the PTIF for the month reported. Cash flows are approximate and should not be used for tax or accounting purposes

Contango Capital Advisors is a registered investment adviser and a non-bank affiliate of Zions Bank and a non-bank subsidiary of Zions Bancorporation. In Utah and Idaho, Contango operates under the name Zions Wealth Advisors. Investment products and services are not insured by the FDIC or any federal or state governmental agency, are not deposits or other obligations of, or guaranteed by, Zions Bank, Zions Bancorporation or its affiliates, and may be subject to investment risks, including the possible loss of principal value or amount invested. CCA #1010-0117

Please see accompanying page for additional disclosures

Balance Sheet Classification (ZWA-UCIP)

6/30/2012

Dated: 7/18/2012

Cash Equivalent (3)

13.27%

269,178.82

Cusip/SIN	Description	Curr Face	Sector	Rating	Coupon	Maturity	Eff Maturity	Pur Yield	Yield	Orig Cost	Amort Cost	Unreal G/L	Price	Accr Int	Fair Value	Mkt Value
654080001	UT St Treasurer's Public Inv Pool A	265,808.87	Cash	NA/N/A	0.000	--	--	0.000	0.000	265,808.87	265,808.87	0.00	1.000	0.00	265,808.87	265,808.87
CCYUSD	Net Receivables/Payables	50.07	Cash	AAA/Aaa/AAA	0.000	--	--	0.000	0.000	50.07	50.07	0.00	1.000	0.00	50.07	50.07
CCYUSD	US Dollar	3,319.88	Cash	AAA/Aaa/AAA	0.000	--	--	0.000	0.000	3,319.88	3,319.88	0.00	1.000	0.00	3,319.88	3,319.88
--	--	269,178.82	--	--	--	--	--	0.000	0.000	269,178.82	269,178.82	0.00	--	0.00	269,178.82	269,178.82

Marketable Securities (11)

86.73%

1,759,615.22

Cusip/SIN	Description	Curr Face	Sector	Rating	Coupon	Maturity	Eff Maturity	Pur Yield	Yield	Orig Cost	Amort Cost	Unreal G/L	Price	Accr Int	Fair Value	Mkt Value
060505DK7	BANK OF AMERICA CORP	200,000.00	Financial	A-/Baa2/A	5.375	09/11/2012	09/11/2012	4.042	1.557	202,116.00	200,511.42	1,001.09	100.756	3,284.72	201,512.51	204,797.23
172987EJ6	CITIGROUP INC	100,000.00	Financial	A-/Baa2/A	5.500	09/27/2012	09/27/2012	2.309	1.663	102,407.00	100,493.94	117.53	100.611	1,894.44	100,611.47	102,505.92
225434AP4	CREDIT SUISSE USA INC	150,000.00	Financial	A-/A1/A	0.719	04/12/2013	04/12/2013	2.087	0.929	147,364.50	148,428.62	1,337.89	99.844	239.72	149,766.51	150,006.23
3134G26G2	FREDDIE MAC	250,000.00	Agency	AA+/Aaa/AAA	1.000	08/28/2015	11/28/2012	1.004	0.362	249,962.50	249,968.31	690.16	100.263	229.17	250,656.48	250,887.64
3134G3AZ3	FREDDIE MAC	100,000.00	Agency	AA+/Aaa/AAA	1.000	06/12/2015	12/12/2012	1.000	0.454	100,000.00	100,000.00	246.48	100.246	52.78	100,246.48	100,289.26
3134G3FR6	FREDDIE MAC	150,000.00	Agency	AA+/Aaa/AAA	1.050	12/28/2015	12/28/2012	1.050	0.353	150,000.00	150,000.00	519.06	100.346	13.12	150,519.06	150,532.18
36962G4W1	GENERAL ELEC CAP CORP	200,000.00	Financial	AA+/A1/NR	1.319	01/07/2014	01/07/2014	1.747	1.066	198,410.00	198,787.84	2,040.86	100.414	608.27	200,828.70	201,436.98
38143USB8	GOLDMAN SACHS GROUP INC	100,000.00	Financial	A-/A3/A	1.466	02/07/2014	02/07/2014	2.601	2.248	97,842.00	98,265.31	542.75	98.808	219.88	98,808.06	99,027.94
428236BG7	HEWLETT-PACKARD CO	100,000.00	Industrial	BBB+/A3/A	0.747	05/24/2013	05/24/2013	1.427	0.998	99,042.83	99,403.82	379.74	99.784	78.83	99,783.56	99,862.40
61532XAD8	MONUMENTAL GLOBAL FUNDING	200,000.00	Financial	AA-/A1/AA-	0.636	01/25/2013	01/25/2013	2.088	1.151	196,870.00	198,384.52	1,044.04	99.714	236.60	199,428.56	199,665.16
92867DAG3	VOLKSWAGEN INTL FIN NV	200,000.00	Industrial	A-/A3/NA	0.918	10/01/2012	10/01/2012	0.858	0.683	200,128.00	200,040.05	90.05	100.065	464.18	200,130.10	200,594.28
--	--	1,750,000.00	--	--	--	--	--	1.835	0.579	1,744,142.83	1,744,283.85	8,009.65	--	7,321.72	1,752,293.50	1,759,615.22

Summary

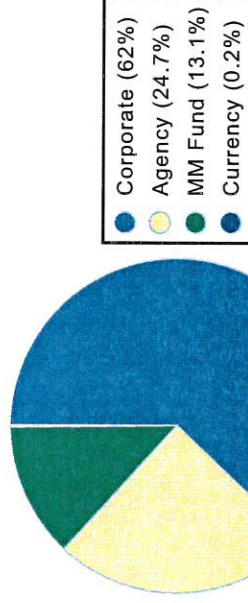
2,028,794.04

Total Orig Face / Shares	Total Curr Face / Shares	Yield	Purchase Yield	Total Orig Cost	Total Book Value	Total Amort Cost	Total Unreal G/L	Total Accr Int	Total Fair Value	Total Mkt Value
2,019,178.82	2,019,178.82	0.85	1.59	2,013,321.65	2,020,784.39	2,013,462.67	8,009.65	7,321.72	2,021,472.32	2,028,794.04

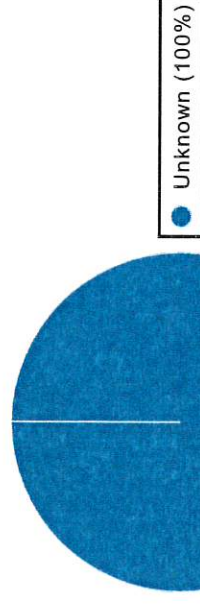
Summary

Cash	269,178.82
Fixed Income	1,759,615.22
Duration	0.286
Convexity	-0.840
Weighted Avg Life	0.552
Weighted Avg Maturity	1.238
Weighted Avg Eff Maturity	0.552
Yield	0.849%
Purchase Yield	1.592%
Avg Credit Rating	AA-/Aa3/AA-

Security Type



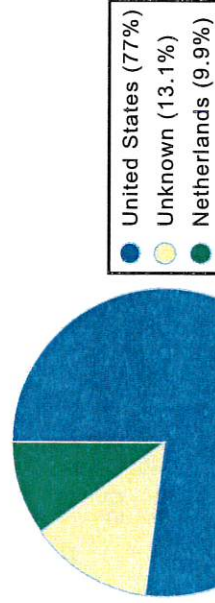
MMF Asset Allocation



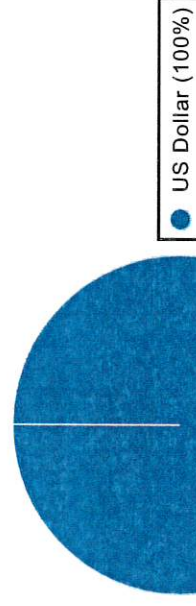
Issuer Concentration

Federal Home Loan Mortgage Corpor...	24.7%
MMF - UT St Treasurer's Public In...	13.1%
Bank of America Corporation	10.1%
General Electric Company	9.9%
Volkswagen Aktiengesellschaft	9.9%
Monumental Global Funding III	9.8%
Credit Suisse Group AG	7.4%
Citigroup Inc.	5.1%
Other	10.0%

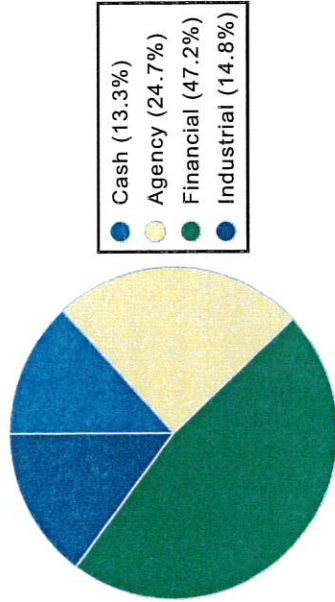
Country



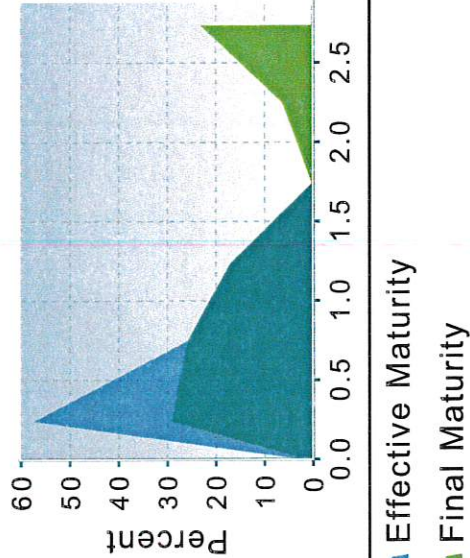
Currency



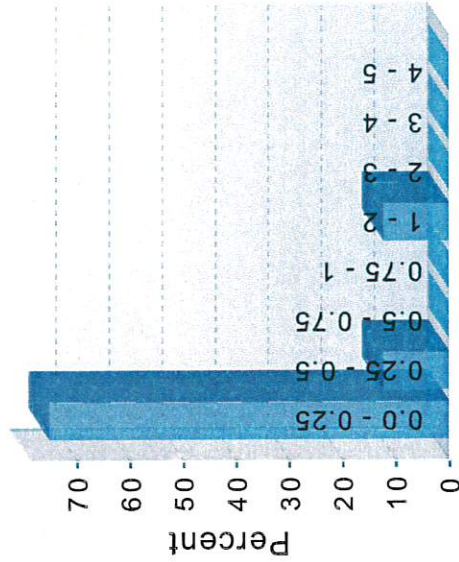
Market Sectors



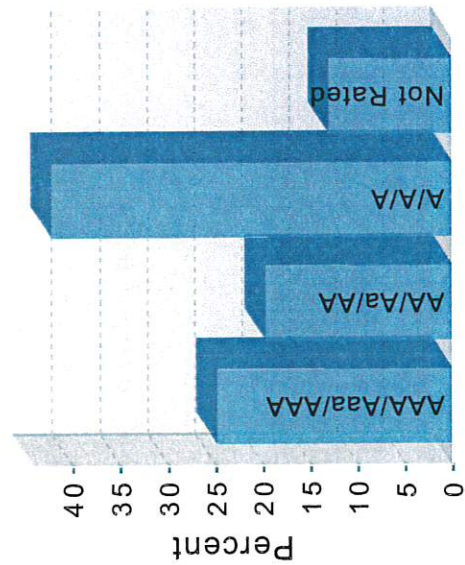
Time to Maturity (Years)



Duration



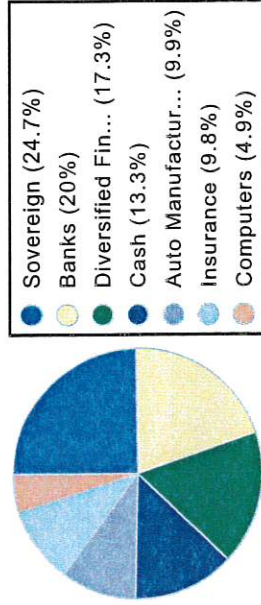
Credit Ratings



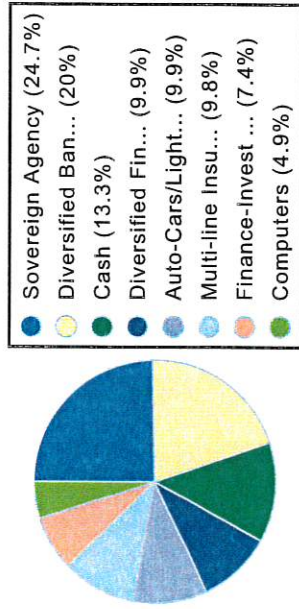
Credit Duration

	0.0 - 0.25	0.25 - 0.5	0.5 - 0.75	0.75 - 1	1 - 2	2 - 3	3 - 4	4 - 5
AAA	0.2	12.4	0.0	0.0	12.4	0.0	0.0	0.0
AA	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A	42.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BBB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NA	13.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Industry Sectors



Industry Subsectors



Cash Flow Forecast (ZWA-UCIP)

Dated: 7/18/2012

7/17/2012

Beginning Balance

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
MMFUND	654080001	UT St Treasurer's Public Inv Pool A	270,339.96	270,339.96
—	—	—	270,339.96	270,339.96

07/17/2012-07/31/2012

7/25/2012 (Wed)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
CPN	61532XAD8	MONUMENTAL GLOBAL FUNDNG	321.36	270,661.32
—	—	—	321.36	270,661.32

08/01/2012-08/31/2012

8/7/2012 (Tue)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
CPN	38143USB8	GOLDMAN SACHS GROUP INC	370.53	271,031.85
—	—	—	370.53	271,031.85

8/24/2012 (Fri)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
CPN	428236BG7	HEWLETT-PACKARD CO	190.86	271,222.71
—	—	—	190.86	271,222.71

8/27/2012 (Mon)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
MTY	172967EJ6	CITIGROUP INC	100,000.00	371,222.71
CPN	172967EJ6	CITIGROUP INC	2,750.00	373,972.71
—	—	—	102,750.00	373,972.71

09/01/2012-09/30/2012

9/11/2012 (Tue)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
MTY	060505DK7	BANK OF AMERICA CORP	200,000.00	573,972.71
CPN	060505DK7	BANK OF AMERICA CORP	5,375.00	579,347.71
—	—	—	205,375.00	579,347.71

10/01/2012-10/15/2012

10/1/2012 (Mon)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
MTY	928670AG3	VOLKSWAGEN INTL FIN NV	200,000.00	779,347.71
CPN	928670AG3	VOLKSWAGEN INTL FIN NV	465.42	779,813.13
—	—	—	200,465.42	779,813.13

10/9/2012 (Tue)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
CPN	36962G4W1	GENERAL ELEC CAP CORP	669.35	780,482.48
—	—	—	669.35	780,482.48

10/12/2012 (Fri)

Type	Cusip/ISIN	Description	Cash Flow	Cash Balance
CPN	225434AP4	CREDIT SUISSE USA INC	271.25	780,753.73
—	—	—	271.25	780,753.73

ZIONS® WEALTH ADVISORS

Market & Economic Commentary

Heard Off The Street:

Going Global

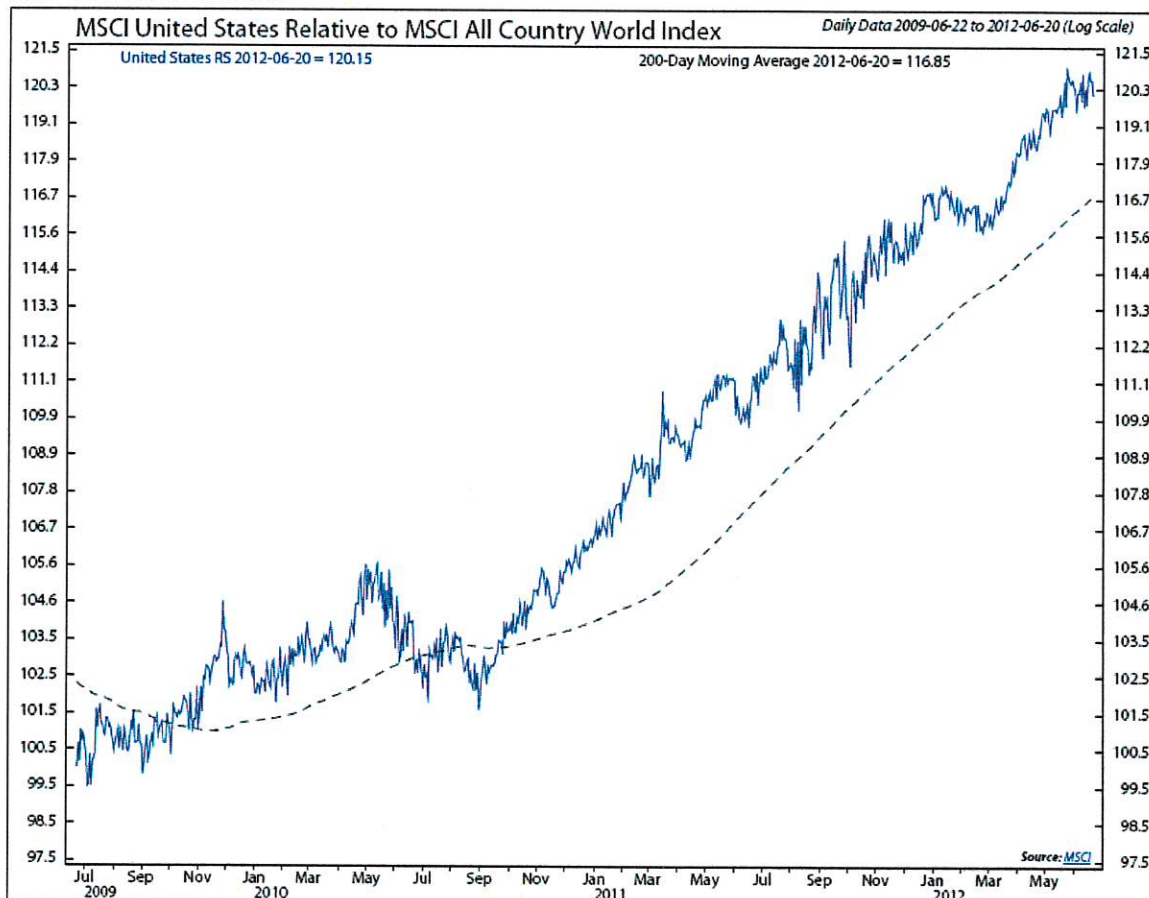
July 9, 2012

The Investment Strategy Group of Contango Capital Advisors provides regular updates on economic and financial conditions and trends. This time around, we examine the prospects for stocks outside the US, while staying with our preference for “buying American” at least in the short term.

With little interruption, US stocks have outperformed non-US stocks for the last three years. For US investors it really has paid to stay at home. The ratio of the US stock index to world stock indexes is now at its highest point since September 2004.

Thick as a BRIC

European stocks have been shunned because of the ongoing debt crisis. Investors have been fed up with underperforming Japanese stocks for some time (where did all that Japanese dynamism go?). And more recently, BRIC (Brazil, Russia, India and China) and other emerging market equities have been in a bear market due to slowing growth, wild swings in inflation, and a pervasive fraud in the Chinese financial markets.



For a bevy of reasons, we think US equities will continue to outperform over the near term and are investing based upon that assumption. Still, we're keeping a close eye on valuation metrics and economic fundamentals outside of the US: At some point, adding to our international equity positions will make sense.

Re-Emerging Markets

Right now the EuroStoxx 50 – which is composed of some of Europe's largest companies – has a P/E ratio of 8 based upon 2012 estimates and a current dividend yield of about 5%. As a comparison, the Dow Jones Industrial Average trades at 12 times earnings and has a yield of 2.7%. So some of these international markets are showing pretty attractive numbers ... and we wouldn't be surprised if those numbers became more attractive. At the moment, however, adding Euro or other currency risk to a portfolio may not be such a great idea.

In time, the great companies of Europe – Siemens, Daimler, Total, Bayer, Unilever, Vivendi, Volkswagen and others – will eventually become attractive on the basis of valuation and, in many cases, dividend yield. Similarly, the emerging market growth story eventually will reassert itself and those stocks, cheapened by the current investor malaise, will be “buys.”

But that story is more complex. Some countries are doing well, but most are weakening. A handful of EM economies are facing risks from lower commodity and materials prices (Brazil and Russia, for example) and others are facing risks from falling demand for exports (including China and Korea). And stock valuations are still correcting from a bubble that broke in late 2007 and took the Shanghai composite from 6000 to 2000 within a year. Bubbles take a long time to dissipate, and between 2007 and today, P/E ratios have fallen from 45 to 12 in China. The demographics in China are superb and at some point faster growth will reassert itself – so with valuations improving, even China-related plays are starting to look more attractive.

Time for global markets to take off? Not yet but we're getting closer.

The opinions expressed above are solely those of Contango Capital Advisors and do not necessarily reflect the views of Zions Bancorporation, its affiliates or its management.

IMPORTANT NOTE: *Wealth management services are offered through Contango Capital Advisors, Inc. (Contango), which operates as Zions Wealth Advisors in Utah and Idaho. Contango is a registered investment adviser and a nonbank affiliate of Zions Bank and a nonbank subsidiary of Zions Bancorporation. Representatives of Zions Wealth Advisors are employed by Zions Bank and are shared employees of Contango Capital Advisors, and Western National Trust Company (a subsidiary of Zions Bank and an affiliate of Contango). Some are also registered representatives of Zions Direct, which is a member of FINRA/SIPC and a nonbank subsidiary of Zions Bank, which is a member of FINRA/SIPC and a nonbank subsidiary of Zions Bank. Some are also registered representatives of Zions Direct, which is a member of FINRA/SIPC and a nonbank subsidiary of Zions Bank.*

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UTAH COUNTIES INDEMNITY POOL

Budget

	Approved 2012	Tentative 2013
Revenue		
Premiums and other Considerations	6,281,252	6,595,000
Investment Income	65,000	65,000
Program Management Fees	3,000	3,000
Conferences	6,500	6,500
Total Income	6,355,752	6,669,500
Underwriting Expense		
Losses and Loss Adjustment Expenses	3,000,000	3,143,500
Losses Incurred	590,000	590,000
Reinsurance Expense	1,600,000	1,680,000
Total Underwriting Expenses	5,190,000	5,413,500
Administrative Expense		
Board of Trustees	45,000	45,000
Depreciation	20,000	20,000
Loss Control	50,000	50,000
Marketing	16,000	16,000
Office Operations	210,000	210,000
Professional Services	74,752	165,000
Staff	750,000	750,000
Total Administrative Expenses	1,165,752	1,256,000
Total Operating Expense	6,355,752	6,669,500
Change in Net Assets	\$ -	\$ -



UTAH COUNTIES INDEMNITY POOL

Member Equity Calculation

Member	Total			Net Equity	Percentage Net Equity to 2012 Premium
	Premium	Equity	WC Deficit		
Beaver	\$ 1,448,308	\$ 158,379	(\$ 38,265)	\$ 120,114	117.6%
Box Elder	3,834,664	462,013	(100,614)	361,399	158.5%
Cache	4,298,679	511,843	(122,854)	388,989	145.7%
Carbon	2,278,011	190,386	(80,244)	110,142	38.2%
Daggett	588,444	47,000	(24,978)	22,022	42.3%
Davis	8,001,716	865,860	(229,913)	635,947	117.4%
Duchesne	2,337,685	254,165	(71,815)	182,350	139.4%
Emery	3,695,027	462,090	(96,182)	365,908	236.3%
Garfield	1,475,326	171,852	(37,160)	134,692	127.5%
Iron	3,478,697	413,268	(92,005)	321,263	121.2%
Juab	1,921,491	219,066	(66,085)	152,981	129.5%
Kane	1,568,176	166,850	(46,053)	120,797	95.3%
Millard	2,655,641	273,687	(85,341)	188,346	97.8%
Morgan	536,083	22,938	(29,912)	(6,974)	-12.5%
Piute	412,844	42,278	(14,114)	28,164	141.7%
Rich	808,866	87,467	(26,765)	60,702	164.6%
San Juan	3,011,834	324,535	(91,629)	232,906	115.6%
Sanpete	1,716,155	214,340	(39,596)	174,744	187.1%
Sevier	1,912,618	206,517	(51,081)	155,436	107.5%
Tooele	2,433,724	155,995	(116,267)	39,728	9.4%
Uintah	4,289,496	490,146	(114,872)	375,274	101.2%
Utah	8,792,293	899,942	(273,158)	626,784	78.7%
Wasatch	3,339,901	343,872	(116,001)	227,871	103.0%
Washington	4,803,956	525,969	(140,515)	385,454	113.2%
Wayne	835,624	94,399	(24,563)	69,836	151.5%
Weber	6,894,877	538,716	(280,514)	258,202	35.8%
UCIP	44,862	2,610	(2,660)	(50)	-0.8%
Total	\$77,414,999	\$8,146,177	(\$2,413,158)	\$5,733,019	94.7%

AFFIDAVIT OF KAY BLACKWELL

STATE OF UTAH)
 :ss
COUNTY OF SALT LAKE)

Kay Blackwell, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.

2. That the Affiant, on or about the 19 day of July, 2012, presided over a meeting of the Utah Counties Indemnity Pool Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Counties Indemnity Pool Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

DATED this 19 day of July, 2012.

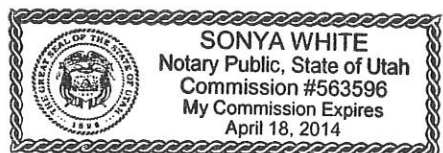


KAY BLACKWELL, President
Utah Counties Indemnity Pool

On the 19 day of July, 2012, personally appeared before me Kay Blackwell, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



NOTARY PUBLIC

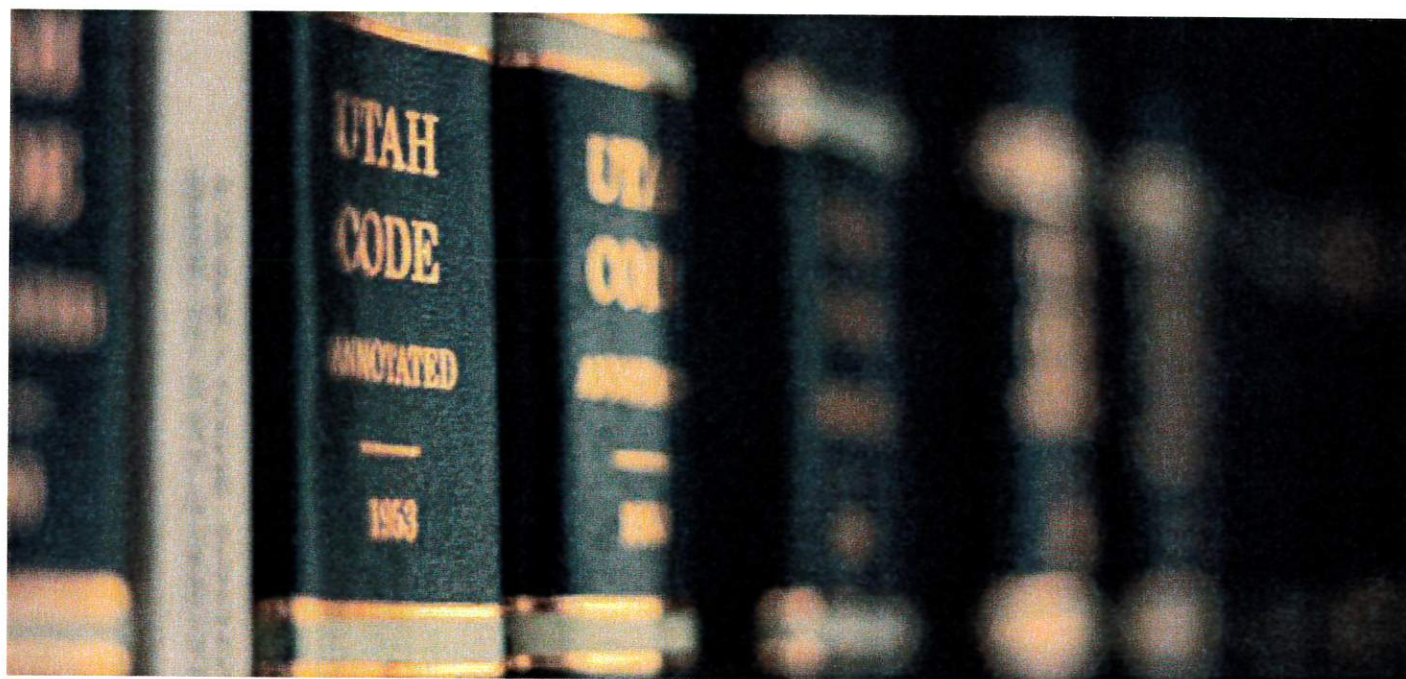


My Commission Expires: April 18, 2014



J. Joyce & Associates

Law Firm | Professional Corporation



Established 2006

CONTACT US

Mr. Joyce is the founder and senior attorney of J. Joyce & Associates. He has over 20 years experience as a trial attorney specializing in civil litigation and insurance defense. Mr. Joyce joined the law firm of Strong & Hanni in 1986 where he gained an excellent reputation as a skilled and competent trial attorney. In 2006, Mr. Joyce founded J. Joyce & Associates to create an environment that would allow him to continue his professional approach to litigation while offering unmatched personal service to clients. He has served as lead counsel in over 100 jury trials.



Mr. Joyce is licensed to practice law in Utah and Idaho.

Education

- Brigham Young University College of Law (J.D., 1986)
- Brigham Young University (B.S. Business Management, 1982)
- Rick's College (A.A., 1981)

Admissions

- Utah State Bar
- Idaho State Bar
- Tenth Circuit Court of Appeals

Affiliations

- Utah Defense Lawyers Association (President, 1997-1998)
- Defense Research Institute (Utah State Representative 1998-2001)

- Utah Supreme Court and Utah Judicial Council Committee on Improving Jury Service (Member 1997-2000)

- Council on Litigation Management

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CONTACT US

J. Joyce & Associates was established in 2006 for the purpose of combining skillful legal representation with unmatched personal service. The firm is built on a foundation of experience, teamwork and integrity where client service and communication are the primary goals. We serve clients throughout Utah and Idaho.

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J. Joyce & Associates is the right law firm for companies who need high quality representation and cost-effective results. Insurance companies like Progressive, State Farm, Unigard, Bear River, CNA, CHUBB, American Family, Mercury, Sagamore and Esurance trust the lawyers at J. Joyce & Associates to represent their interests, provide coverage opinions, and protect them from bad faith claims. Self-insured entities like Enterprise Rent-A-Car and Greyhound have sought us out because of our reputation as skilled trial lawyers and aggressive advocates. A leading trucking parts manufacturer, STEMCO, has taken advantage of our courtroom expertise and retained us as national counsel in litigation matters.

Since its founding in 2006, J. Joyce & Associates has worked diligently to meet the needs of our rapidly expanding clientele. We are proud to have earned the trust of these clients and many others. We look forward to earning your trust.

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CONTACT US

Case Studies

The following is a synopsis of recently tried cases, summary judgments and arbitrated matters.

J. Joyce & Associates continues to be the leader in the personal injury defense arena in Utah.

No other firm tries as many personal injury defense cases with as many favorable outcomes, while limiting the expense of litigation from the beginning of the case to the successful resolution of the matter.

Trials

[Close All](#) | [Open All](#)

Shepherd adv Terry

Third Judicial District Court

Case No. 090913121

Judge Ryan M. Harris

Two day jury trial from November 22-23, 2011. The jury returned a no cause defense verdict.

In Shepherd adv. Terry, the defendants' dog bit the plaintiff on the hand while he was staying at their house taking care of their dogs. The plaintiff alleged that the defendants were liable for his injuries under Utah's strict liability dog-bite statute. Defense counsel, [Ryan J. Schriever](#) and [Joseph J. Joyce](#), responded that the plaintiff was a "keeper" and that the strict liability statute did not apply.

The plaintiff asserted he was not a keeper because he did not intend to care for the dogs as the defendants would have. Mr. Schriever and Mr. Joyce argued that the plaintiff was a keeper because he performed most, if not all, of the tasks a dog owner would normally perform. The

court instructed the jury that a keeper "is someone who, at least temporarily, assumes custody, management and control of the dog, or who undertakes to manage, control, or care for the dog as dog owners in general are accustomed to do." After weighing the facts and considering the credibility of the witnesses, the jury concluded that the plaintiff was a keeper and that the defendants were not liable for the plaintiff's injury.

Tran adv Trane

Edwards adv Moa

Hoj Engineering adv Gardner

Stewart adv Stevens

Burdis adv Maxfield

Chojnacki adv Green

Stemco adv Erdel

Case # 050914455

Judge John P. Kennedy

Jury verdict in product liability case finding the defendant was not liable after a five day trial that ended on December 5, 2008.

Joseph J. Joyce and Ryan J. Schriever successfully defended a products liability case involving a locking nut system designed to retain the wheels on large trailers. The accident occurred on I-15 when a dual wheel assembly came off a semi-trailer and began rolling down the freeway. An oncoming SUV swerved to miss the dual wheels and ran across the center median where it collided nearly head-on with the plaintiff. The plaintiff sustained a significant brain injury in the accident and was asserting a damages claim with a potential value in excess of \$15,000,000 .

The highway patrol recovered the dual wheel assembly, but did not find a key component of the locking nut system, i.e. a locking ring that keeps the nut from spinning inside the hub. The plaintiff alleged that the locking ring was defective and had been ejected in small pieces through a hole in the wheel assembly.

During the five-day trial, Mr. Joyce and Mr. Schriever presented evidence that a diesel mechanic shop had recently worked on the wheel assembly and had failed to reinstall the locking ring into the nut. As such, the defense asserted that the accident was caused by the mechanic's negligence and not a defect in the locking mechanism. At the conclusion of the trial, the jury deliberated and returned a defense verdict.

Mangelson adv Ouimette

Rogers adv Weeks

Ellis adv Cline

Summary Judgments

[Close All](#) | [Open All](#)

Flamm adv Petty

Third Judicial District Court, West Jordan Department

Case No. 070417880

Judge Mark Kouris

Summary Judgment granted in favor of the defendant on September 2, 2010.

The case of Flamm adv Petty was a premises liability matter in which the defendant, Flamm, employed the plaintiff, Petty, as the caretaker of his residential property. In January of 2006,

Petty was working to repair a garden shed on the property when he allegedly fell from a ladder and injured his shoulder. After his employment was terminated one and a half years after the accident, Petty sued Flamm asserting claims for negligence and noncompliance with the Workers Compensation Act.

[Joseph J. Joyce](#) and [Ryan J. Schriever](#) defended the case on the basis that Flamm was not negligent and that the workers compensation law allows employers to defend against cases in which they are not negligent. Upon concluding fact discovery, Mr. Joyce and Mr. Schriever moved for summary judgment. The court considered the parties' respective arguments and agreed with the defendant's position that Flamm did not commit any negligent act or omission that caused the injury. As such, the court granted the defendant's motion for summary judgment.

Campbell Scientific adv Coalville City

Hunt adv Carman

Enterprise adv Hair

Progressive vs Sheri Griffith Expeditions

Briggs & Stratton adv Hicks

Arbitrations

[Close All](#) | [Open All](#)

Argyle adv UAIG

Arbitration award issued on September 8, 2010 resulting in a "no cause" for the defendant.

Ryan J. Schriever defended the case of Argyle adv UAIG which arose out of an automobile accident that occurred on I-15 near the 600 South off-ramp. The case involved a rear-end collision, and both sides contended the other party was at fault. The plaintiff asserted that the

defendant was driving too fast, failed to maintain a proper lookout and failed to maintain a safe following distance. The defendant, on the other hand, contended she was traveling at or below freeway speeds when the plaintiff's vehicle suddenly swerved in front of her and that the collision was unavoidable.

At arbitration, the plaintiff's attorney presented testimony from the driver and passenger of the plaintiff's vehicle. The passenger, Mr. Love, explained that he had run out of gas and left his vehicle on the side of the freeway just south of the 600 South off-ramp. Love's friend, the driver of the plaintiff's vehicle, was driving the man back to his vehicle with a gas can. According to Love, his friend began changing lanes to move over a safe distance before the location of the abandoned vehicle. As the driver changed lanes, Love looked behind him and saw the defendant's vehicle approaching at a high rate of speed. He sensed an impact was imminent and warned the driver to be careful. According to Love, the defendant was driving too fast for the circumstances and failed to maintain a proper lookout.

The driver of the plaintiff's vehicle, Mr. Rivero, also testified about the accident. Rivero agreed with Love that the defendant was driving too fast and he also testified that there was a safe distance between his vehicle and the defendant's vehicle when he made his lane change. On cross-examination, however, Rivero's testimony contradicted Love's version of the events in significant ways. Whereas Love testified they began changing lanes before the location of the abandoned vehicle, Rivero testified that Love shouted, "There is the car!" as they drove past it. Rivero then made a quick lane change and slowed to approximately 45 miles per hour so he could enter the emergency lane before the point where he would be forced to exit the freeway.

Through cross-examination, Mr. Schriever was able to show that the testimony of the plaintiff's witnesses was inconsistent with the physical evidence. In the end, the arbitrator found the

defendant to be the most credible of all the witnesses and he determined that Rivero made an unsafe lane change. Based on his findings, the arbitrator found that Rivero was more than 50% at fault for the accident and he awarded no damages under Utah's comparative fault statute.

Progressive adv Gabaldon

Murphy adv Winn

Gagon adv Broadbent

Bear River Mutual Insurance Company adv Humphries

Padilla adv Comeaux

Appeals

[Close All](#) | [Open All](#)

Progressive adv Davis County

The Utah Court of Appeals unanimously affirmed the decision on November 14, 2008, 2008 UT App 414,197 P.3d (669)

Joseph J. Joyce and Ryan J. Schriever successfully defended an award of summary judgment on appeal. The issue was whether an injured party had standing to bring a direct cause of action against the tortfeasor's insurance company in cases where the injured party was not able to locate the tortfeasor in order to collect on a default judgment. The appellate court affirmed the trial court's grant of summary judgment on the basis that Utah law does not recognize standing to sue an insurance company directly unless efforts to execute a judgment against the insured have been returned unsatisfied.

Progressive adv Ewart

Audit of Utah Counties Indemnity Pool
June 11, 2012 through June 13, 2012

1. Location:

The audit was conducted at the Utah Counties Indemnity Pool office located at 10980 South Jordan Gateway in South Jordan, Utah.

2. Auditor:

Mark Watkins, Assistant Vice President, Alternative Service Concepts, LLC. Mark has over 25 years of experience which includes handling of multi lines of business/coverage to include public entities. Mark has served as an adjuster, supervisor, claims manager, account manager during his claims career.

3. Scope of Review:

The scope of the review consisted of 26 property and casualty files. Some of these files were selected by CRL and some of the files were randomly selected by the auditor. The reason for this was because on the initial list received from CRL, there were 13 of the 25 files that were closed and some of these had been closed for several years. In a discussion with Frank Peterson with CRL, he had suggested that I just pull some open claims as opposed to looking at the closed files that had been closed for several years. The claims were reviewed to check six areas which consisted of coverage, reserves, investigations, documentation, litigation management and excess reporting.

4. Review:

Audit Review Format: See attached excel workbook titled "Utah CRL June 2012 Workbook". The workbook contains:

Audit Summary- this sheet gives an overview of the results.

File Selection – this is the list of files reviewed.

File Review – this worksheet shows the composite results of the review.

Selection & Reserve Change – this worksheet presents the reserve information reflected on each file and any recommended reserve changes made by the auditor. Note these are just recommendations and any recommended reserve changes should be reviewed by the handling adjuster and set according to their in depth knowledge of the file, statutes and jurisdiction.

The remainder of the workbook contains two sheets for each file reviewed. The file sheet gives an overview of the incident description, current reserves and paid to date as well as comments and recommendations. The financial sheet shows a breakdown of the reserves, amounts paid as well as an outline of the reserve history of the claim.

5. Results:

a) RESERVES	AVERAGE COMPLIANCE		89.6%
	COMPLIANCE	APPLICABLE	
Timely	25	26	96.2%
Sufficient	21	26	80.8%
Stairstepped	23	25	92.0%
Totals	69	77	

Reserves were entered timely for the most part. There were a couple of files that had evidence of stairstepping on the legal expenses. This could be contributed to the fact that in a lot of cases, there was no litigation budget being obtained from defense counsel.

There were also some files that at the time of settlement, the reserves were not adequate and had to be increased to cover the settlement amounts after the fact. There were also a couple of other files that

appeared under reserved given the current status of the claim.

In terms of recommended reserve changes, the total amount of the recommended increases totaled \$146,365 which overall considering the number of files reviewed is not that significant.

b) COVERAGE	AVERAGE COMPLIANCE		91.9%
	COMPLIANCE	APPLICABLE	
Documented	25	26	96.2%
Correctly Applied	26	26	100.0%
Issues Addressed	17	22	77.3%
Totals	68	74	

Coverage was documented in some form in all files reviewed except for one file. There was a property loss where it did not appear that the adjuster had verified that the damaged property was listed or scheduled on the insured policy. (See Davis County – DAV-000258-2011)

There were 5 litigated files where coverage issues were not addressed. In some cases, the Reservation of Rights letters did not address all of the coverage issues and in some cases, it did not appear a Reservation of Rights letter had been issued at all to address potential coverage issues.

It was also noted that in several cases a Reservation of Rights letter would be issued at the time a claim was reported to cover potential coverage issues. Normally a Reservation of Rights letter should be issued once a lawsuit is filed since the lawsuit will allege or ask for certain things that are not covered and this is when the letter should go out as opposed to sending this out prior to a case becoming litigated.

d) INVESTIGATION	AVERAGE COMPLIANCE		70.8%
	COMPLIANCE	APPLICABLE	
Initial Timely	6	9	66.7%
Initial Adequate	5	9	55.6%
Subsequent Timely	3	3	100.0%
Subsequent Adequate	3	3	100.0%
Other	0	0	
Totals	17	24	

There were some cases where the adjuster had an opportunity to do some investigation but it did not appear anything was done. Most of the files reviewed fell under the non-applicable scenario because either the lawsuit was the first notice or the claim was assigned to defense counsel up front when the claim was reported given the nature of the claim.

e) DOCUMENTATION	AVERAGE COMPLIANCE		24.1%
	COMPLIANCE	APPLICABLE	
Timely	3	4	75.0%
Adequate	4	25	16.0%
Other	0	0	
Totals	7	29	

Documentation of the files was a major problem. The adjuster does have a claims system where the file activity can be documented but in most cases, the file activity notes were scarce in the system. A review of the hard files did not show much in the way of file documentation either. Legal correspondence was not being documented for the most part. There were some emails noted in some of the hard files but in terms of any real documentation, it was lacking for the most part. On a lot of files, it was hard to tell what was really going on with a claim unless the legal correspondence was read or the excess reports were read. Normally by industry standards, anybody should be able to pull up a claim on the system and be able to tell what happened, what the current status of a claim is and what the plan is to bring a claim to closure. That is certainly not the case here. This was discussed with the claims manager at the

wrap up meeting.

g) LEGAL/LITIGATION	AVERAGE COMPLIANCE		64.2%
	COMPLIANCE	APPLICABLE	
Review/Analysis	21	24	87.5%
Timely Referral	24	24	100.0%
Proper Referral	23	24	95.8%
Litigation Management			
Screens	2	23	8.7%
Not Abandoned	6	22	27.3%
Client Apprised	24	24	100.0%
Pre-trial Report	0	0	
Report/Bill	6	24	25.0%
Other	0	0	
Totals	106	165	

While litigated cases were assigned timely and properly to defense counsel, there appeared to be a lack of control by the adjuster over the defense attorneys for the most part. There were a lot of cases where no litigation budget was obtained from defense counsel and there were several cases where the defense attorneys had not provided any kind of case evaluation or if they did, these evaluations were significantly late. The assignment letters to the attorneys had asked for an initial evaluation and legal budget within 30 days from the case being assigned and very rarely was this being done by the attorneys and there was no indication in the file that the adjuster was aggressively following up for this information or directing the attorneys for the most part. The legal expenses on several of the files were significant and while there may be valid reasons for this, the lack of control over the defense attorneys by the adjuster is not helping matters when it comes to legal expenses. These deficiencies were discussed with the claims manager at the time of the audit wrap up.

As pointed out earlier, pertinent legal correspondence when it was received from defense counsel was not being summarized in the file.

Things like deposition summaries, case evaluations should be documented in the file and this was not being done for the most part.

The adjuster also has a litigation management program as part of the claims system and these screens were not being completed in any kind of detail.

j) REPORTING	AVERAGE COMPLIANCE		85.1%
	COMPLIANCE	APPLICABLE	
Recognized	15	17	88.2%
Timely	10	15	66.7%
Proper Format	15	15	100.0%
Totals	40	47	

There were two claims reviewed where sexual assault/rape had been alleged that had never been reported. Those claims were the Julie Hoggan claim and the Camille Kramer claim. There was no indication that the adjuster had recognized that these types of claims were reportable. This was discussed with the claims manager at the audit wrap up.

There were also some claims that were reported to the excess carrier outside of the reporting guidelines with most of these being situations where the total incurred exceeded 50% of the SIR and when that occurred those claims were not always reported on timely. Otherwise, when a claim was reported to excess, the adjuster did a good job of reporting to the carrier on a regular basis and keeping them in the loop.

6. Remarks/Recommendations:

As noted above, there are significant problems with file documentation and litigation management. If something were to happen to the adjuster handling the files or if the hard files were destroyed through some type of loss it would be very difficult to determine what had happened on a claim and where the case currently stood. It is recommended that file activity be documented in the claims system so there is a record of activity in a

safe, protected environment.

In terms of litigation management, it is recommended that the adjuster make it a point to make sure that the defense attorneys are reporting within the guidelines set forth when a claim is assigned to them. This reporting should also include a litigation budget and plan for the defense of a claim. The adjuster should control what the defense attorneys are doing on a case and this activity should be documented in the claims system.

In terms of excess reporting, it is recommended that the adjuster review the excess reporting guidelines and criteria to insure that all reportable files are reported timely to the carrier.

Finally, the auditor would like to thank the Utah Counties staff for their help and hospitality during the review.

Mark Watkins. Assistant Vice President
Alternative Service Concepts, LLC
2501 McGavock Pike
Suite 802
Nashville, TN 37214

June 20, 2012



County Reinsurance, Limited



About County Reinsurance, Limited

County Reinsurance, Limited (CRL) is a member-owned reinsurance company. The company was formed in 1997 by county associations that operated their own self-insured pools. The National Association of Counties (NACo) and state association executives played a critical role in the formation of the company.

CRL is organized as a captive insurance company in the state of Vermont. The company's legal structure as a mutual insurance company means that the members of the company own the company. In addition, CRL is organized as a non-profit company and is exempt from state and federal income taxes. All CRL members are also organized as non-profit companies.

CRL provides property, liability, and workers' compensation reinsurance to its members. As a reinsurance company, CRL does not provide direct coverage or state approved "admitted" policies. In several instances CRL enters into reinsurance agreements with a state-approved insurance company to meet state regulatory requirements for an "admitted" company. In those instances, CRL Members receive a policy from an insurance company admitted to do business in their particular state, and CRL reinsures that state-approved insurance company.

CRL maintains an administrative office in Clemmons, North Carolina. Questions about CRL may be directed to Philip E. Bell, Executive Director at (336) 766-3930.



Letter to Members

Dear Members:

We are pleased to present County Reinsurance, Limited's (CRL's) Annual Report for 2011. Here are the major highlights of the year:

- Net Premiums Earned increased from \$18,419,000 to \$19,684,000, a 6.9% increase. This increase can be attributed partially to growth in our underlying membership and partially to necessary rate changes.
- The company had operating income of \$3,050,000 for the year. Investment income added an additional \$7,110,000, resulting in Net Income of \$10,161,000.
- Members' Equity increased from \$16,242,000 to \$26,582,000, a 64% increase.

We discuss these results in more detail in the following pages.

CRL operated its first full year under a new Strategic Plan. This plan includes five strategic goals and an annual work plan to achieve these goals. The five strategic goals are: Financial Security, Member Excellence, Underwriting Excellence, Claims Management Excellence, and Operational Excellence. We will discuss our efforts and results in the following pages.

Please let us know if you have any comments or questions.


Ron Lethgo
Chairman of the Board


Philip E. Bell
Executive Director



Management's Discussion and Analysis

Underwriting Results

County Reinsurance, Limited's (CRL's) Net Premiums Earned increased from \$18,419,000 to \$19,684,000, a 6.9% increase. The premium increase is the result of growth in our member pools (growth within a county, or the net addition of new counties) and some rate changes. A portion of CRL's premiums are based on loss history.

Chart 1 illustrates changes in CRL's premiums from 2002 to 2011.

The company had an Underwriting Gain of \$3,050,000 for the fiscal year ending December 31, 2011. Workers' Compensation (WC) and Liability business in the current year accounted for the Underwriting Gain. Loss development in prior years was stable. Prior year liability losses deteriorated, but this was offset by improvements in WC losses.

Two of CRL's Strategic Goals are Financial Security and Underwriting Excellence. Our Underwriting procedures have been adjusted to achieve a long-term combined ratio of 95%. This adjustment will enhance CRL's financial security, while also addressing the inherent volatility in loss activity for a reinsurer. The combined ratio for 2011 was 84.5%.

Chart 2 shows a summary of the results of the company from 2002 to 2011.

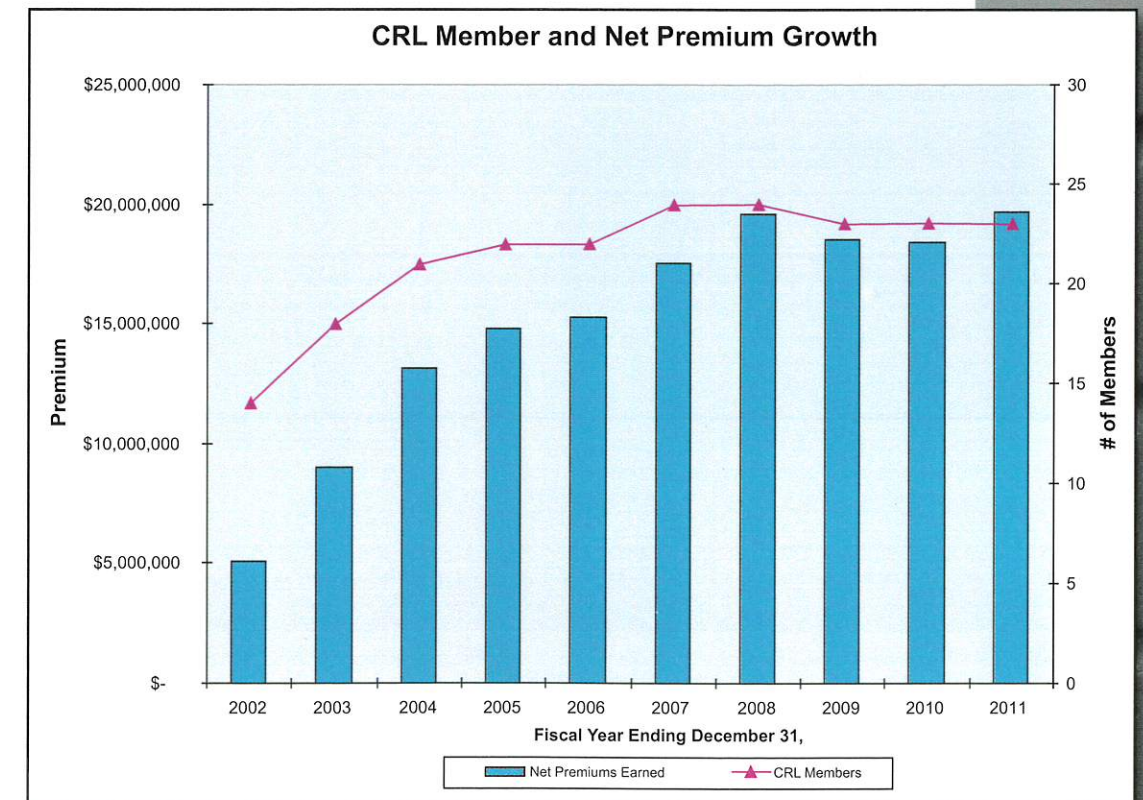


Chart 1



Comparison of Results - 2002 to 2011

Years Ending December 31,	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Premiums Earned	\$5,029,130	\$9,019,816	\$13,187,947	\$14,812,328	\$15,325,265	\$17,543,593	\$19,654,835	\$18,557,515	\$18,418,749	\$19,684,158
Operating Income	\$(1,716,469)	\$(362,852)	\$1,515,615	\$528,587	\$(687,267)	\$(3,632,387)	\$(3,487,613)	\$(1,101,496)	\$(1,842,451)	\$3,050,397
Net Investment Income	\$(650,030)	\$888,492	\$2,271,794	\$2,765,084	\$3,828,176	\$5,309,227	\$(6,446,767)	\$4,027,917	\$5,669,136	\$7,110,442
Net Income	\$(2,366,499)	\$525,640	\$3,787,409	\$3,293,671	\$3,140,909	\$1,676,840	\$(9,934,380)	\$2,926,421	\$3,826,685	\$10,160,189
At December 31,	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Assets	\$31,145,589	\$44,442,266	\$58,421,265	\$70,943,760	\$84,760,980	\$107,064,249	\$109,345,608	\$121,330,105	\$137,891,637	\$155,589,163
Total Liabilities	\$29,530,000	\$37,851,840	\$46,131,914	\$55,730,576	\$65,610,922	\$85,049,651	\$101,651,901	\$109,832,427	\$121,649,287	\$129,007,227
Total Member Equity	\$1,615,589	\$6,590,426	\$12,289,351	\$15,213,184	\$19,159,058	\$22,014,598	\$7,693,707	\$11,497,678	\$16,242,350	\$26,581,936
CRL Members	14	18	21	22	22	24	24	23	23	23

Chart 2

Investment Results

CRL's performance benchmark is customized to better represent the strategic characteristics of the portfolio, which in turn support CRL's liabilities. The custom benchmark composition

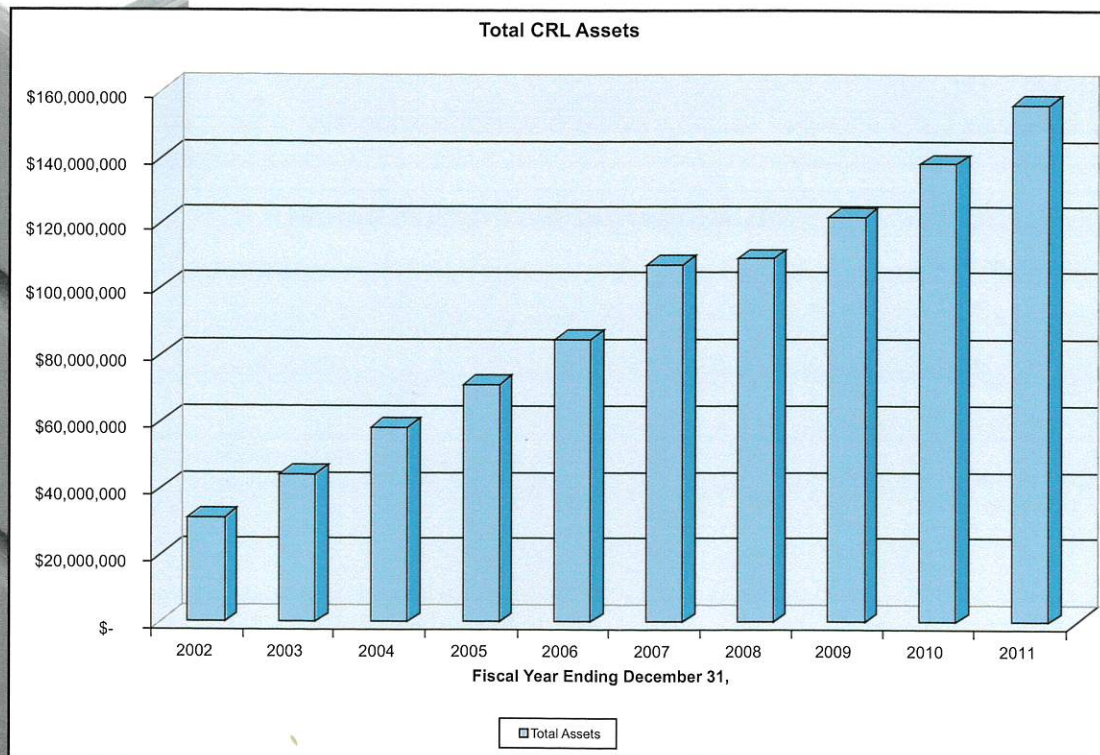


Chart 3

anything outside of investment grade fixed income products, including domestic and

is 90% Barclay's Capital Intermediate Aggregate Index and 10% Barclays Capital U.S. Treasury: 1-3 year Index. For the year, CRL's investment portfolio produced a return of 5.76% and outperformed the benchmark return of 5.52%.

Starting in the 4th quarter of 2011, CRL began purchasing Risk Assets. We define Risk Assets as



international equity investments, high yield bonds, and international bonds. Our current investment policy allows investment in Risk Assets at no more than 25% of Surplus. At 12/31/11 CRL held approximately 4.6% of Surplus in Risk Assets. Our goal is to increase the allocation to Risk Assets to 25% of Surplus during 2012.

Chart 3 illustrates the growing assets of the company.

Net Income

CRL's Net Income for the year ending 12/31/11 was \$10,160,000. This included Operating Income of \$3,050,000 and Investment Income of \$7,110,000.

Contributed Capital

CRL receives contributed capital from two primary sources. First, the company requires a minimum ratio of capital to premium for each member. Current members may be required to contribute additional capital if a member's capital drops below minimum ratios. Second, new members are required to contribute this capital upon joining the company, as a condition of membership. This requirement helps maintain CRL's surplus at acceptable levels, but also gives an ownership incentive to the members of the company.

Members' Equity

Members' Equity increased from \$16,242,000 to \$26,582,000 in 2011, a 64% increase. This change came from Member Contributions of \$179,000 and \$10,161,000 of Net Income.

Chart 4 illustrates the changes in Members' Equity from 2002 to 2011.

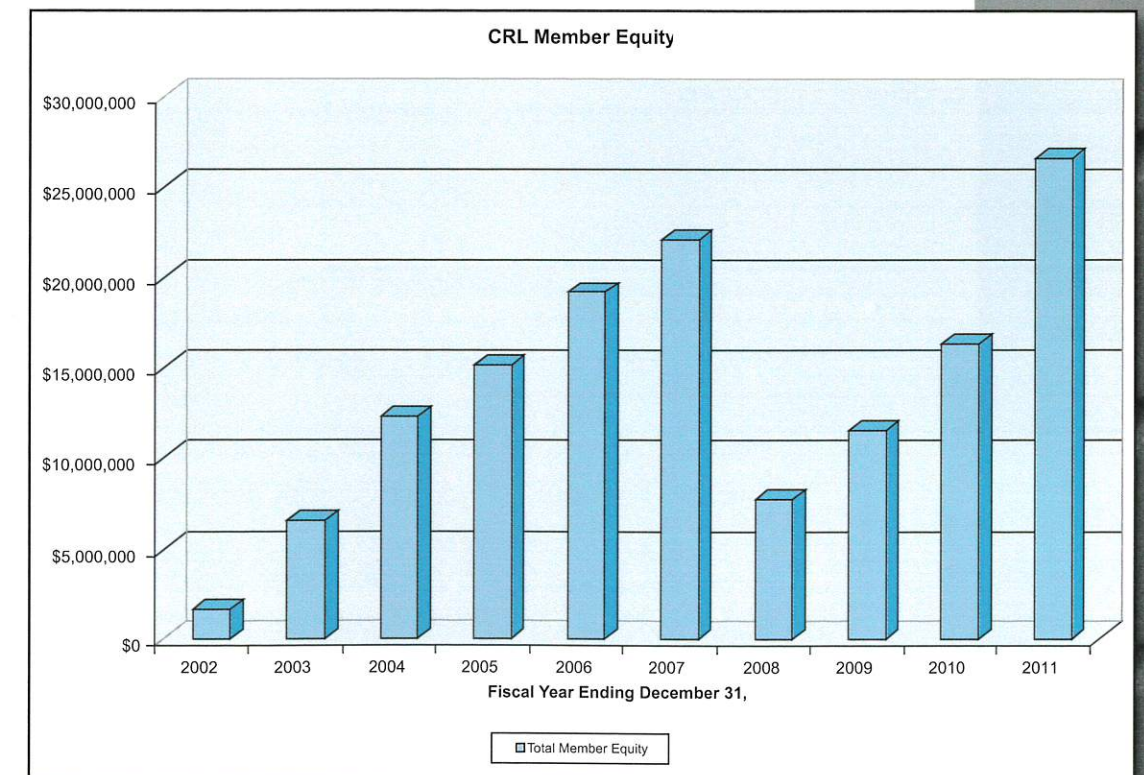


Chart 4



Reinsurance

CRL offers property, liability, and workers' compensation reinsurance to its members. The company has partnerships with additional reinsurance companies to add stability and capacity to its overall program.

The company currently retains liability business between a member's self-insured retention and up to \$3,000,000. The company has a partnership with Chartis for the liability business, and retrocedes premiums and claims for losses above this amount to Lexington Insurance Company. Lexington Insurance Company has an A.M. Best rating of A (Excellent).

CRL has a partnership with Safety National Casualty Corporation (SNCC) for its workers' compensation business. The company currently retains workers' compensation business between the member's self-insured retention and up to \$2,500,000. The company also retains an aggregate amount of \$2,000,000 excess of \$2,500,000. SNCC provides the remaining statutory limits for the program. In those states that require an admitted company, SNCC issues a policy directly to the CRL member, and CRL reinsures SNCC for its portion of the premium and losses. SNCC has an A.M. Best rating of A (Excellent).

CRL also provides property reinsurance to eight member pools. CRL provides a \$25 million limit, but cedes all premium and losses excess of \$750,000 to Lexington Insurance Company. The aggregate retention of CRL during the annual policy period is capped at \$1,500,000. The member pools purchase additional reinsurance coverage and limits from additional companies.



Members of County Reinsurance, Limited

Arizona Counties Insurance Pool, *represented by Mr. William Hardy*

Association County Commissioners of Georgia - Interlocal Risk Management Agency,
represented by Mr. David Paulk

Association County Commissioners of Georgia - Group Self-Insurance Workers'
Compensation Fund, *represented by Mr. David Paulk*

Association of Arkansas Counties Workers' Compensation Trust,
represented by Mr. Chris Villines

Association of County Commissioners of Oklahoma Self-Insured Group,
represented by Mr. Dusty Birdsong

Association of County Commissions of Alabama Liability Self-Insurance Fund,
represented by Mr. Sonny Brasfield

Association of County Commissions of Alabama Workers' Compensation Self-Insurers Fund,
represented by Mr. Sonny Brasfield

County Risk Sharing Authority, *represented by Mr. David Brooks*

Kansas County Association Multiline Pool, *represented by Mr. Tom Job*

Kentucky Association of Counties Workers' Compensation Fund,
represented by Mr. Mark Miller

Local Government Property and Casualty Fund,
represented by Mr. Robert Wormsley

Local Government Workers' Compensation Fund,
represented by Mr. Robert Wormsley

Missouri Association of Counties Self-Insured Workers' Compensation Fund,
represented by Mrs. Carol Green

Nebraska Intergovernmental Risk Management Association,
represented by Mr. Craig Nelson

Nebraska Intergovernmental Risk Management Association II,
represented by Mr. Craig Nelson

New Mexico County Insurance Authority Workers' Compensation Pool,
represented by Mr. Ron Lethgo

Nevada Public Agency Compensation Trust, *represented by Mr. Wayne Carlson*

Nevada Public Agency Insurance Pool, *represented by Mr. Wayne Carlson*

North Carolina Association of County Commissioners Joint Risk Management Agency
Workers' Compensation Fund, *represented by Mr. David Thompson*

North Carolina Association of Counties Liability and Property Insurance Pool Fund,
represented by Mr. David Thompson

Pennsylvania Counties Risk Pool, *represented by Mr. John Sallade*

Texas Association of Counties Risk Management Pool, *represented by Mr. Gene Terry*

Utah Counties Insurance Pool, *represented by Mr. Johnnie Miller*



Directors and Officers of County Reinsurance, Limited

MR. RON LETHGO, Chair
New Mexico

MR. WAYNE CARLSON
Nevada

MR. DAVID PAULK, Vice Chair
Georgia

MRS. CAROL GREEN
Missouri

MR. SONNY BRASFIELD, Secretary
Alabama

MR. TOM JOB
Kansas

MR. CRAIG NELSON, Treasurer
Nebraska

MR. GENE TERRY
Texas

MR. ANDY SARGEANT, Assistant Treasurer
USA Risk Group of Vermont, Inc.,
(Resident Vermont Director)

MR. DAVID THOMPSON
North Carolina

MR. ROBERT WORMSLEY
Tennessee

Staff of County Reinsurance, Limited



MR. PHILIP E. BELL
Executive Director

MS. BRENDA K. GIBSON
Member Services Manager

MR. FRANK K. PETERSON
Regional Claims Manager

MR. BARRETT A. EVANS
Regional Claims Manager

MR. BRENT M. WELLS
Reinsurance Analyst

MS. MARY K. JOHNSON
Administrative Assistant



Standing Committees of County Reinsurance, Limited

Claims Committee

Chair: Mr. David Paulk
Member: Mr. Michael Kelly
Member: Mr. Craig Nelson
Member: Mr. Randy Plyler
Member: Mr. John Sallade

Investment Committee

Chair: Mr. Andy Sargeant
Member: Mrs. Carol Green
Member: Mr. Tom Job
Member: Mr. Johnnie Miller
Member: Mr. Doug Smith
Member: Mr. David Thompson
Member: Mr. Bob Wormsley

Personnel Committee

Chair: Mr. Craig Nelson
Member: Mr. Sonny Brasfield
Member: Mr. Ron Lethgo
Member: Mr. David Paulk
Member: Mr. John Sallade
Member: Mr. David Thompson



Underwriting Committee

Chair: Mr. Wayne Carlson
Member: Mr. Sonny Brasfield
Member: Mr. Dave Brooks
Member: Mr. Tom Job
Member: Mr. Ron Lethgo
Member: Mr. Mark Miller
Member: Mr. Johnnie Miller

Audit Committee

Chair: Mr. Ron Lethgo
Member: Mrs. Carol Green
Member: Mr. Craig Nelson
Member: Mr. David Paulk
Member: Mr. John Sallade
Member: Mr. Gene Terry
Member: Mr. Bob Wormsley

Bylaws Committee

Member: Mr. Wayne Carlson
Member: Mr. Craig Nelson
Member: Mr. David Thompson

*Service Providers of
County Reinsurance, Limited*

Brokerage and Risk Management Services

Marsh USA, Inc.

Captive Management and Accounting

USA Risk Group of Vermont, Inc.

Claims Management Services

Alternative Service Concepts, LLC

Consulting Actuary

By the Numbers Actuarial Consulting, Inc.

Financial Auditor

Johnson Lambert & Co., LLP

Legal Counsel

Morris, Manning & Martin, LLP
Primmer Piper Eggleston & Cramer, PC

Investment Advisor

Strategic Asset Alliance, Inc.

Investment Manager

Asset Allocation & Management, LLC

County Reinsurance, Limited

Audited Financial Statements

Years ended December 31, 2011 and 2010

Contents

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Report of Independent Auditors

Board of Directors
County Reinsurance, Limited

We have audited the accompanying balance sheets of County Reinsurance, Limited (CRL) as of December 31, 2011 and 2010 and the related statements of operations, changes in members' contributions and surplus and cash flows for the years then ended. These financial statements are the responsibility of CRL's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CRL's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Reinsurance, Limited as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Johnson Lambert & Co. LLP

Burlington, Vermont
March 23, 2012

Firm Registration: 092-0000267

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County Reinsurance, Limited

Balance Sheets

	At December 31,	
	2011	2010
Assets		
Cash and cash equivalents	\$ 8,791,386	\$ 2,987,288
Auction rate securities	525,000	525,000
Fixed-maturity securities, at fair value	129,813,579	124,820,363
Exchange traded funds, at fair value	1,221,826	-
Accrued investment income	907,885	949,386
Premiums receivable	320,335	64,748
Reinsurance recoverable - paid losses	316,392	222,690
Reinsurance recoverable - unpaid losses	9,298,344	4,009,804
Deferred policy acquisition costs	20,941	22,203
Property, furniture and equipment, net of accumulated depreciation	549,449	566,404
Prepaid reinsurance premiums	3,712,114	3,442,131
Other assets	111,912	281,620
Total Assets	\$ 155,589,163	\$ 137,891,637
Liabilities and Members' Contributions and Surplus		
Liabilities		
Losses and loss adjustment expenses	\$ 114,830,275	\$ 108,729,615
Unearned premiums	11,238,378	10,375,303
Ceded reinsurance balances payable	273,529	4,214
Accounts payable and accrued expenses	357,215	650,589
Premium taxes payable	49,826	55,619
Return of members' contributions payable	1,019,685	1,492,482
Deferred ceding commission income	375,714	341,465
Losses payable	862,605	-
Total Liabilities	129,007,227	121,649,287
Members' Contributions and Surplus		
Members' contributions	9,991,820	9,813,053
Retained earnings	16,590,116	6,429,297
Total Members' Contributions and Surplus	26,581,936	16,242,350
Total Liabilities and Members' Contributions and Surplus	\$ 155,589,163	\$ 137,891,637

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Operations

	Years ended December 31,	
	2011	2010
Underwriting Revenue		
Premiums earned, net of reinsurance	\$ 19,684,158	\$ 18,418,749
Commission income	<u>850,287</u>	<u>624,346</u>
Total Underwriting Revenue	20,534,445	19,043,095
Underwriting Expenses		
Losses and loss adjustment expenses	15,962,902	19,453,792
Policy acquisition costs	301,088	299,133
Professional and management fees	181,462	200,524
General and administrative expenses	<u>1,038,596</u>	<u>932,097</u>
Total Underwriting Expenses	<u>17,484,048</u>	<u>20,885,546</u>
Operating Income (Loss)	3,050,397	(1,842,451)
Investment Income		
Net losses from derivative investments	-	(103,679)
Net investment income	6,621,398	4,955,785
Net realized gains on investments	<u>489,024</u>	<u>817,030</u>
Total Investment Income	<u>7,110,422</u>	<u>5,669,136</u>
Net Income	<u>\$ 10,160,819</u>	<u>\$ 3,826,685</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Changes in Members' Contributions and Surplus

For the years ended December 31, 2011 and 2010

	Members' Contributions	Retained Earnings	Total Members' Contributions and Surplus
Balance at January 1, 2010	\$ 8,985,037	\$ 2,512,641	\$ 11,497,678
Proceeds from members' contributions	1,128,910	(25,689)	1,103,221
Return of members' surplus	(300,894)	115,660	(185,234)
Net income	<u>-</u>	<u>3,826,685</u>	<u>3,826,685</u>
Balance at December 31, 2010	9,813,053	6,429,297	16,242,350
Proceeds from members' contributions	178,767	-	178,767
Net income	<u>-</u>	<u>10,160,819</u>	<u>10,160,819</u>
Balance at December 31, 2011	<u>\$ 9,991,820</u>	<u>\$ 16,590,116</u>	<u>\$ 26,581,936</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Cash Flows

	Years ended December 31,	
	2011	2010
Cash Flows from Operating Activities		
Net income	\$ 10,160,819	\$ 3,826,685
Add (deduct) items not affecting cash:		
Amortization of bond premium/discount	1,012,796	599,274
Net realized gains on investments	(489,024)	(713,351)
Depreciation	25,377	19,324
Change in unrealized gains on assets held at reporting date	(2,851,694)	(1,251,633)
Changes in assets and liabilities:		
Accrued investment income	41,501	(86,313)
Premiums receivable	(255,587)	(30,994)
Reinsurance recoverable - paid losses	(93,702)	(222,690)
Reinsurance recoverable - unpaid losses	(5,288,540)	280,763
Deferred policy acquisition costs	1,262	(6,487)
Prepaid reinsurance premiums	(269,983)	(2,596,469)
Other assets	169,708	53,649
Losses and loss adjustment expenses	6,100,660	8,876,699
Unearned premiums	863,075	3,011,125
Ceded reinsurance balances payable	269,315	(6,311)
Accounts payable and accrued expenses	(293,374)	182,147
Premium taxes payable	(5,793)	12,703
Deferred ceding commission income	34,249	201,534
Losses payable	862,605	-
Net cash provided by operating activities	<u>9,993,670</u>	<u>12,149,655</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Cash Flows - Continued

	Years ended December 31,	
	2011	2010
Cash Flows from Investing Activities		
Cost of investments acquired	(36,928,277)	(55,868,467)
Proceeds from sales and maturities of investments	33,041,156	28,955,577
Cost of property, furniture and equipment purchased	(8,421)	(111,230)
Net cash used in investing activities	<u>(3,895,542)</u>	<u>(27,024,120)</u>
Cash Flows from Financing Activities		
Proceeds from members' contributions	178,767	892,702
Return of members' contributions	(472,797)	(435,750)
Net cash (used in) provided by financing activities	<u>(294,030)</u>	<u>456,952</u>
Net change in cash and cash equivalents	5,804,098	(14,417,513)
Cash and cash equivalents, beginning of year	<u>2,987,288</u>	<u>17,404,801</u>
Cash and cash equivalents, end of year	<u>\$ 8,791,386</u>	<u>\$ 2,987,288</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Notes to the Financial Statements

Years ended December 31, 2011 and 2010

Note A - Organization and Significant Accounting Policies

Organization

County Reinsurance, Limited (CRL or the Company) was incorporated under the laws of the State of Vermont on June 20, 1997 and was issued a Certificate of Authority permitting it to transact the business of an industrial insured captive insurance company by the State of Vermont Department of Banking, Insurance, Securities and Health Care Administration (the Department) on June 24, 1997. CRL commenced operations on July 1, 1997. CRL assumes various coverages from 23 public entity pools at December 31, 2011 and 2010. These public entity pools provide direct coverages to policyholders located in Alabama, Arkansas, Arizona, Georgia, Kansas, Kentucky, Missouri, Nebraska, Nevada, North Carolina, New Mexico, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas and Utah at December 31, 2011. As of December 31, 2011 and 2010, premiums from the three largest pools represent approximately 26% and 25% of gross written premiums, respectively.

Basis of Reporting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

Use of Estimates

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events for disclosure and recognition through March 23, 2012, the date which these financial statements were available to be issued, and all events identified have been reflected within these statements.

Fair Value Measurements

CRL's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note A - Organization and Significant Accounting Policies (Continued)

In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The Company recognizes transfers between levels at the end of the reporting period. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

Fair Value Option

Effective January 1, 2008, CRL elected to adopt fair value option accounting guidance for its investment portfolio. As a result CRL measures its investment portfolio at fair value, with changes in unrealized gains and losses recorded directly to the statement of operations as a component of net investment income.

Investments

Investments held by CRL at December 31, 2011 and 2010 consist of U.S. Treasury notes, obligations of U.S. government sponsored enterprises, corporate bonds, asset-backed securities, collateralized mortgage-backed securities, commercial mortgage-backed securities, municipal bonds, and exchange traded funds. Included within corporate bonds are holdings which were issued under the Temporary Liquidity Guarantee Program. Through this program, the Federal Deposit Insurance Corporation (FDIC) guarantees the timely payment of principal and interest for investments meeting the programs criteria. Investments are reported at their estimated fair values with unrealized gains and losses reported as a component of investment income within the statement of operations. Realized gains and losses on sales of investments are determined using the specific identification method. As more fully described in Note B, CRL holds five trust accounts which provide collateral in the form of pledged securities in connection with various policies issued or assumed by the Company.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note A - Organization and Significant Accounting Policies (Continued)

Auction Rate Securities

Auction rate securities are carried at amortized cost, which approximates fair value. During 2010 auction rate securities totaling \$150,000 were sold at auction. However, given current market conditions, certain auction rate securities held by CRL "failed" at auction during 2011 and 2010 which decreases the liquidity of these securities. All auction rate securities continued to be current on all required interest payments during 2011 and 2010.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CRL considers money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are as follows at December 31:

	2011	2010
People's United Bank - operating account	\$ 72,498	\$ 138,204
U.S. Bank - cash & money market accounts	266,565	120,753
State Street - cash & money market accounts	<u>8,452,323</u>	<u>2,728,331</u>
Total	<u>\$ 8,791,386</u>	<u>\$ 2,987,288</u>

The FDIC insures amounts on deposit with each financial institution up to limits as prescribed by law. The Company holds funds with financial institutions in excess of the FDIC insured amount, however, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property, Furniture and Equipment

Depreciation and amortization on property, furniture and equipment is recognized over the estimated service lives of depreciable assets. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note A - Organization and Significant Accounting Policies (Continued)

Recognition of Premium Revenue

Premiums assumed are earned ratably over the terms of the policies to which they relate. Premiums assumed relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying policies to which they relate and are netted against earned premiums. Ceded premiums relating to the unexpired portion of underlying policies are recorded as prepaid reinsurance premiums.

The company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders, unamortized deferred acquisition costs, and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiency reserve has been recorded as of December 31, 2011 and 2010.

Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported losses, plus supplemental amounts for projected incurred but not reported losses (IBNR) calculated based upon loss projections utilizing actuarial studies of the members' own historical loss data for periods prior to and subsequent to the creation of CRL and industry data. In establishing its liability for losses and loss adjustment expenses, CRL utilizes the findings of an independent consulting actuary. Management has recorded its reserves based on the actuary's best estimate and believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of uncertainty associated with the limited population of insured risks, economic conditions, judicial decisions, legislation and others reasons, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Reinsurance Recoverable - Unpaid Losses

Reinsurance recoverable is comprised of estimated amounts of losses and loss adjustment expenses unpaid which are expected to be recoverable from reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used to estimate the related liability for unpaid losses and loss adjustment expenses. Management believes that the reinsurance recoverable as recorded represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount receivable from reinsurers will also change.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note A - Organization and Significant Accounting Policies (Continued)

Accordingly, the ultimate receivable could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

CRL relies on facultative reinsurance agreements to limit its insurance risk as described further in Note B. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, CRL would be contingently liable for such amounts. In preparing financial statements, management makes estimates of the amounts recoverable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on assessment of factors including management's assessment of the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at December 31, 2011 and 2010.

Reinsurance Recoverable - Paid Losses

Reinsurance recoverable on paid losses includes amounts of losses and loss adjustment expenses paid by CRL, which are expected to be recoverable from the reinsurers pursuant to reinsurance agreements. Management has determined that no provision for uncollectible reinsurance recoveries is necessary as of December 31, 2011 and 2010.

Commission Income

Commission income on business ceded to reinsurers and on excess liability and workers' compensation business placed directly by the policyholders through reinsurers are deferred and earned over the terms of the underlying policies to which they relate. Commissions relating to the unexpired portion of the underlying policies in force at the balance sheet date are recorded as deferred ceding commission income.

Deferred Policy Acquisition Costs

Premium taxes and other costs of acquiring business are deferred and amortized over the terms of the underlying policies to which they relate.

Note B - Insurance Activity

CRL assumes various liability coverages from member pools, on an occurrence and a claims-made basis, up to \$11 million inclusive of the individual pool retentions, which range from \$250,000 to \$1,000,000 and the insured corridor layer where applicable. CRL limits its risks to the first \$3 million (\$2 million in 2010) per occurrence or claim (inclusive of the member retentions) through facultative reinsurance agreements with Lexington Insurance Company (Lexington).

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note B - Insurance Activity (Continued)

CRL assumes workers' compensation coverage from various public entity pools with limits up to \$2.5 million per occurrence inclusive of individual pool retentions which range from \$500,000 to \$1,500,000 and the insured corridor layer where applicable. CRL also assumes workers' compensation coverage for several other pools from Safety National Casualty Corporation (SNCC) on an occurrence basis with a limit of up to \$2.5 million inclusive of the individual pool retentions, which range from \$450,000 to \$850,000 and the insured corridor layer where applicable. In addition, CRL assumes from SNCC a \$2 million corridor in excess of \$2.5 million for all policies issued to CRL member pools.

Effective July 1, 2011 CRL provides direct property coverage with a \$25 million occurrence limit, but cedes all premium and losses excess \$750,000 per occurrence to Lexington. CRL's net retained limit is \$500,000 excess of a member retention of \$250,000, with an annual aggregate limit of \$1.5 million. Prior to July 1, 2011, CRL provided property reinsurance with an occurrence limit of \$500,000 excess of a \$250,000 member retention with a \$1.1 million annual aggregate limit.

CRL holds a trust account with investments totaling \$12,639,770 and \$12,197,798 as of December 31, 2011 and 2010, respectively, for the benefit of United States Fidelity and Guaranty Company. This trust account is for fronted policies offered from 1997 to 2003.

CRL holds a trust account with investments totaling \$15,982,809 and \$11,965,911 as of December 31, 2011 and 2010, respectively, for the benefit of SNCC. This trust account is for fronted policies offered from 2004 to 2011.

CRL holds a trust account with investments totaling \$3,251,009 and \$4,705,663 as of December 31, 2011 and 2010, respectively, for the benefit of the Association of County Commissioners of Georgia Interlocal Risk Management Agency.

CRL holds a trust account with investments totaling \$6,369,851 and \$5,080,465 as of December 31, 2011 and 2010, respectively, for the benefit of the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund.

CRL holds a trust account with investments totaling \$405,878 and \$403,645 as of December 31, 2011 and 2010, respectively, for the benefit of the Kansas County Association Multiline Pool.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note B - Insurance Activity (Continued)

A reconciliation of assumed to net premiums, on both a written and an earned basis is as follows:

	2011		2010	
	Written	Earned	Written	Earned
Assumed	\$ 27,887,882	\$ 27,024,807	\$ 25,990,585	\$ 22,979,460
Ceded	(7,610,632)	(7,340,649)	(7,157,180)	(4,560,711)
Net Premiums	<u>\$ 20,277,250</u>	<u>\$ 19,684,158</u>	<u>\$ 18,833,405</u>	<u>\$ 18,418,749</u>

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable are as follows:

	2011	2010
Case-basis reserves	\$ 58,848,329	\$ 58,658,937
IBNR reserves	<u>55,981,946</u>	<u>50,070,678</u>
Gross reserves	114,830,275	108,729,615
Reinsurance recoverable	<u>(9,298,344)</u>	<u>(4,009,804)</u>
Net reserves	<u>\$ 105,531,931</u>	<u>\$ 104,719,811</u>
Losses and loss adjustment expense activity is as follows:		
Liability as of January 1, net of reinsurance recoverable of \$4,009,804 and \$4,290,567	\$ 104,719,811	\$ 95,562,349
Incurred related to:		
Current year	15,580,838	19,385,332
Development of prior years	<u>382,064</u>	<u>68,460</u>
Total incurred during the year	15,962,902	19,453,792
Paid related to:		
Current year	(1,104,522)	(328,369)
Prior years	<u>(14,046,260)</u>	<u>(9,967,961)</u>
Total paid during the year	<u>(15,150,782)</u>	<u>(10,296,330)</u>
Liability as of December 31, net of reinsurance recoverable of \$9,298,344 and \$4,009,804	<u>\$ 105,531,931</u>	<u>\$ 104,719,811</u>

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note B - Insurance Activity (Continued)

The 2011 unfavorable development of prior years is related to the liability coverage. Total unfavorable development on liability coverage amounted to \$3,435,900 and was partially offset by total favorable development on workers' compensation coverage of \$3,053,836.

The 2010 unfavorable development of prior years is related to the liability and workers' compensation coverages. Total unfavorable development on workers' compensation coverage amounted to \$12,267. Total unfavorable development on liability coverage amounted to \$56,193.

Note C - Investments

The cost or amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments in fixed-maturity securities by major security type and exchange traded funds by sector at December 31, 2011 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed-maturity securities:				
U.S. Treasury notes	\$ 9,921,548	\$ 778,838	\$ -	\$ 10,700,386
Obligations of U.S. Government sponsored enterprises	52,219,526	2,016,318	(10,412)	54,225,432
Corporate bonds	41,760,349	2,347,488	(120,592)	43,987,245
Asset-backed securities	3,158,506	21,565	(5,275)	3,174,796
Collateralized mortgage obligations	388,402	-	(55,797)	332,605
Commercial mortgage-backed securities	6,933,153	188,810	(1,142)	7,120,821
Municipal bonds	<u>9,708,853</u>	<u>563,441</u>	<u>-</u>	<u>10,272,294</u>
Total fixed-maturity securities	<u>\$ 124,090,337</u>	<u>\$ 5,916,460</u>	<u>\$ (193,218)</u>	<u>\$ 129,813,579</u>
Exchange traded funds:				
S&P index funds	\$ 620,472	\$ 538	\$ (3,999)	\$ 617,011
Capital high yield bond funds	248,130	1,795	-	249,925
International stock funds	184,890	-	(10,299)	174,591
Emerging market funds	<u>188,170</u>	<u>-</u>	<u>(7,871)</u>	<u>180,299</u>
Total exchange traded funds	<u>\$ 1,241,662</u>	<u>\$ 2,333</u>	<u>\$ (22,169)</u>	<u>\$ 1,221,826</u>

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note C - Investments (Continued)

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments in fixed-maturity securities by major security type at December 31, 2010 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed-maturity securities:				
U.S. Treasury notes	\$ 8,312,359	\$ 299,501	\$ (4,117)	\$ 8,607,743
Obligations of U.S. Government sponsored enterprises	50,432,160	1,000,902	(208,064)	51,224,998
Corporate bonds	43,246,296	1,873,959	(210,148)	44,910,107
Asset-backed securities	3,283,391	31,517	(8,947)	3,305,961
Collateralized mortgage obligations	433,583	22,755	(15,422)	440,916
Commercial mortgage-backed securities	6,936,127	198,706	(50,033)	7,084,800
Municipal bonds	<u>9,324,735</u>	<u>70,179</u>	<u>(149,076)</u>	<u>9,245,838</u>
Total fixed-maturity securities	<u>\$ 121,968,651</u>	<u>\$ 3,497,519</u>	<u>\$ (645,807)</u>	<u>\$ 124,820,363</u>

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations without penalty. The scheduled maturities of bond investments at December 31, 2011 are as follows:

	Amortized Cost	Estimated Fair Value
Maturity:		
In 2012	\$ 10,435,327	\$ 10,535,387
In 2013-2016	24,160,203	25,321,432
In 2017-2021	27,892,705	30,142,636
Due after 2021	51,122,041	53,185,902
Mortgage and asset-backed securities	<u>10,480,061</u>	<u>10,628,222</u>
Total	<u>\$ 124,090,337</u>	<u>\$ 129,813,579</u>

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note C - Investments (Continued)

During 2011 and 2010 CRL recognized gross realized gains on sales of investments of \$502,146 and \$924,082, respectively. During 2011 and 2010, CRL recognized gross realized losses on sales of investments of \$13,122 and \$107,052, respectively.

The Company adopted fair value guidance for financial instruments as of January 1, 2008. Accordingly, beginning January 1, 2008, market value adjustments related to the change in unrealized gains or losses on fixed maturity and equity securities held as of the reporting date are included as a component of net investment income on the statements of operations. The market value adjustments on other investments including derivative and limited partnership holdings are realized in the current year as more fully described in Note D. Investment income for the years ending December 31, 2011 and 2010 is summarized as follows:

	2011	2010
Investment Income:		
Fixed-maturities	\$ 4,063,543	\$ 3,981,705
Equity securities	12,881	-
Auction rate securities	9,020	9,638
Cash and short-term investments	5,383	12,056
Change in unrealized gains on assets held at reporting date	<u>2,851,694</u>	<u>1,251,633</u>
Gross investment income	6,942,521	5,255,032
Investment expenses	<u>(321,123)</u>	<u>(299,247)</u>
Net investment income	<u>\$ 6,621,398</u>	<u>\$ 4,955,785</u>

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note C - Investments (Continued)

The following tables present the level within the fair value hierarchy at which CRL's fixed-maturity investments are measured on a recurring basis as of December 31, 2011 and 2010:

December 31, 2011	Level 1	Level 2	Level 3	Total
<u>Fixed-maturity securities:</u>				
U.S. Treasury notes	\$ 10,700,386	\$ -	\$ -	\$ 10,700,386
Obligations of U.S.				
Government sponsored enterprises	-	54,225,432	-	54,225,432
Corporate bonds	-	43,987,245	-	43,987,245
Asset-backed securities	-	3,174,796	-	3,174,796
Collateralized mortgage obligations	-	332,605	-	332,605
Commercial mortgage-backed securities	-	7,120,821	-	7,120,821
Municipal bonds	-	10,272,294	-	10,272,294
Total fixed-maturity securities	<u>\$ 10,700,386</u>	<u>\$ 119,113,193</u>	<u>\$ -</u>	<u>\$ 129,813,579</u>
December 31, 2010	Level 1	Level 2	Level 3	Total
<u>Fixed-maturity securities:</u>				
U.S. Treasury notes	\$ 8,607,743	\$ -	\$ -	\$ 8,607,743
Obligations of U.S.				
Government sponsored enterprises	-	51,224,998	-	51,224,998
Corporate bonds	-	44,910,107	-	44,910,107
Asset-backed securities	-	3,305,961	-	3,305,961
Collateralized mortgage obligations	-	440,916	-	440,916
Commercial mortgage-backed securities	-	7,084,800	-	7,084,800
Municipal bonds	-	9,245,838	-	9,245,838
Total fixed-maturity securities	<u>\$ 8,607,743</u>	<u>\$ 116,212,620</u>	<u>\$ -</u>	<u>\$ 124,820,363</u>

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note C - Investments (Continued)

As of December 31, 2011, all exchange traded funds are classified as level 1 within the fair value hierarchy.

The following tables present the level within the fair value hierarchy at which CRL's auction rate securities are measured on a recurring basis as of December 31, 2011 and 2010:

December 31, 2011	Level 1	Level 2	Level 3	Total
Auction rate securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,000</u>	<u>\$ 525,000</u>
December 31, 2010	Level 1	Level 2	Level 3	Total
Auction rate securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,000</u>	<u>\$ 525,000</u>

The following tables summarize changes in Level 3 assets measured at fair value for the years ended December 31, 2011 and 2010:

	2011	2010
Balance at January 1st	\$ 525,000	\$ 1,308,358
Net realized losses included in net income	-	(103,679)
Purchases, issuance and settlements	-	(679,679)
Net transfers in and (out of) Level 3	-	-
Balance at December 31st	<u>\$ 525,000</u>	<u>\$ 525,000</u>

Note D - Federal Income Taxes

CRL is a corporation formed to provide various types of reinsurance coverages solely to its members who are non-profit, risk-sharing pools of political subdivisions of states. CRL received approval to be tax exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Service Code. Accordingly, no provision for federal income taxes is included in the accompanying financial statements. CRL does not believe it has taken any uncertain tax positions that would jeopardize its federal income tax exemption status.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note E - Service Agreements and Related Party Transactions

Accounting and reporting services, records retention and other management services are provided by USA Risk Group of Vermont, Inc. The National Association of Counties - Financial Services Center provides advertising and marketing services. Marsh Inc. provides brokerage and risk management services. Alternative Services Concepts, LLC provides claims auditing and management services.

CRL employs an Executive Director whose responsibilities include supervising all contractors, vendors, and service providers engaged by CRL. The Executive Director also supervises all CRL employees who assist with underwriting, claims management and other administrative functions.

The Company sponsors a simplified employee pension individual retirement arrangement (SEP-IRA) for its employees. The Company does not offer any post employment benefits.

Note F - Property, Furniture and Equipment

CRL owns condominium office space in Clemmons, North Carolina. Property, furniture and equipment consisted of the following at December 31:

	2011	2010
Real estate	\$ 567,544	\$ 567,544
Furniture and equipment	75,544	67,123
Less: accumulated depreciation	<u>(93,639)</u>	<u>(68,263)</u>
Property, furniture and equipment, net	<u>\$ 549,449</u>	<u>\$ 566,404</u>

Depreciation expense of \$25,377 and \$19,324 for the years ended December 31, 2011 and 2010, respectively, is included in general and administrative expenses.

Note G - Loss Contingency

CRL is subject to various legal proceedings, claims, and liabilities which arise in the ordinary course of operations. In the opinion of the CRL's management, the ultimate resolution of these matters will not have a material adverse impact on the Company's financial position or results of operations.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note H - Members' Contributions and Surplus

In accordance with laws of the State of Vermont, for the purpose of submitting its financial statements to the State for regulatory purposes, CRL is required to use GAAP with the exception of variances prescribed by Vermont laws and regulations or permitted by the Department. Pursuant to laws of the State of Vermont, CRL is required to maintain members' contributions and surplus of \$500,000. Members' contributions and surplus was \$26,581,936 and \$16,242,350 at December 31, 2011 and 2010, respectively.

CRL is owned by 23 members at December 31, 2011 and 2010. Each member pool made an initial contribution based on a percentage of its net reinsurance premium. Additional contributions may be required from member pools as determined by the Company. Additional contributions totaled \$178,767 and \$1,128,910 in 2011 and 2010, respectively.

Upon a withdrawal or termination of a member, the member may request repayment of the original contribution plus a portion of CRL's earnings accumulated during its membership. The repayment may be granted at the discretion of the Board of Directors with prior approval from the Department. Repayment, subject to approval, can be paid in either a lump sum or in installments up to a maximum period of five years.

The New Mexico County Insurance Authority Law Enforcement Pool and Multi-line Pool were not offered renewal terms on January 1, 2008. In total the New Mexico Pools will receive \$2,178,748 in returned capital contributions (including proportionate share of accumulated earnings) and will be paid in installments over five years. Capital contributions due back to the New Mexico Pools amounted to \$871,499 as of December 31, 2011. This balance is included within return of members' contributions payable on the balance sheets.

Effective January 1, 2010, the Pennsylvania Counties Workers' Compensation Trust (PComp) chose not to renew its coverage with CRL. Capital contributions (including proportionate share of accumulated earnings) due back to PComp amounted to \$185,234 and will be paid in installments over five years. Capital contributions due back to PComp amounted to \$148,187 as of December 31, 2011. This balance is included within return of members' contributions payable on the balance sheets.

County Reinsurance, Limited

Notes to the Financial Statements (Continued)

Years ended December 31, 2011 and 2010

Note H - Members' Contributions and Surplus (Continued)

The Local Government Workers' Compensation Fund (Tennessee Workers Compensation Pool) chose not to renew its coverage with CRL effective July 1, 2009. The Tennessee Workers' Compensation Pool renewed its coverage with CRL in 2010 and equity amounts due back have been applied to the 2010 capital contribution requirements.

Vermont law provides that no dividends may be paid to shareholders without prior approval of the Insurance Commissioner of the Department. There have been no dividends declared or paid in 2011 and 2010.

There are no differences, other than rounding, between members' contributions and surplus and net income as reported in the 2011 and 2010 Vermont Captive Insurance Company Annual Reports and the corresponding amounts reported in these financial statements.

Editor:

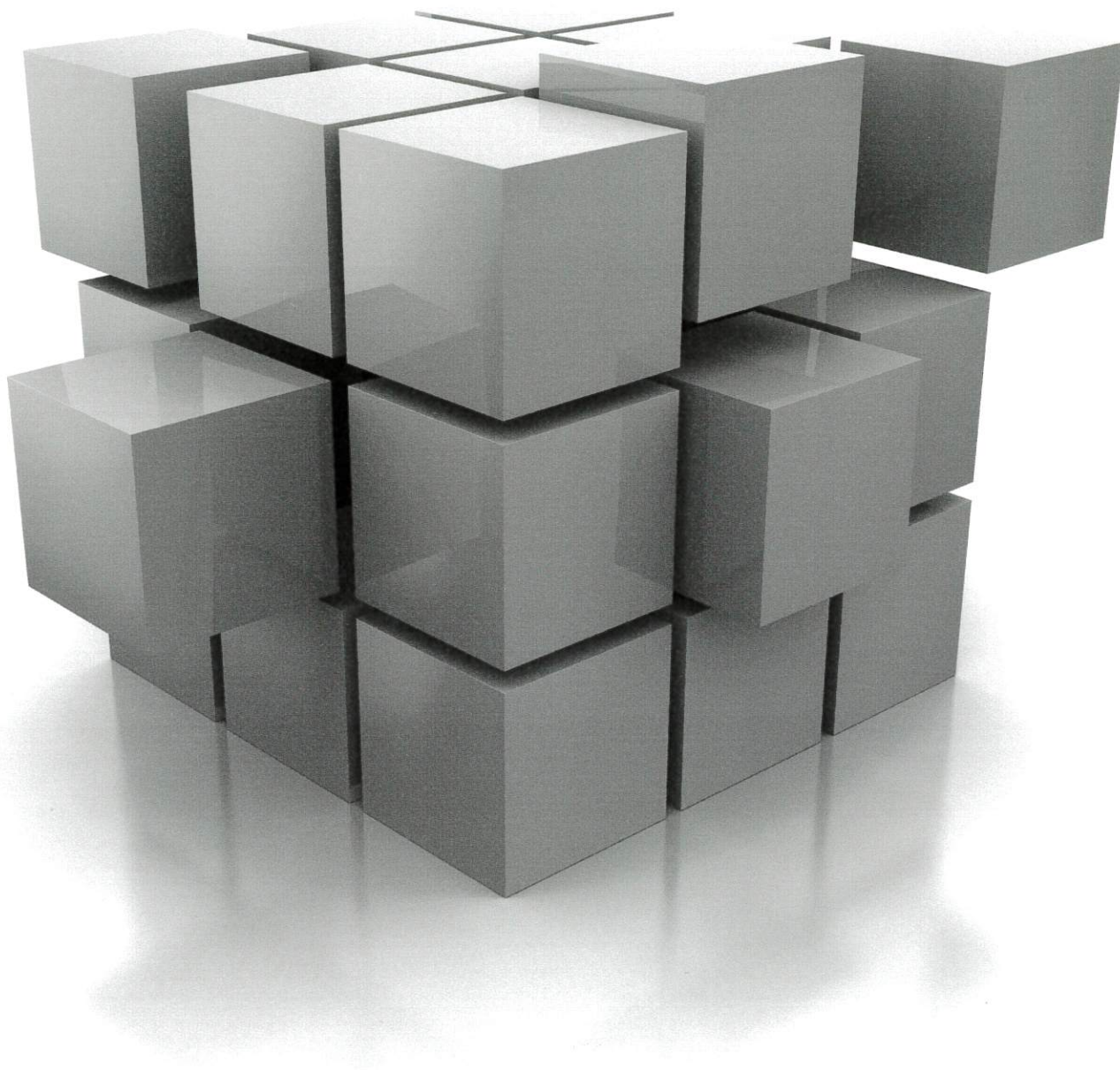
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